

UNITED STATES OF AMERICA

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DEPARTMENT OF THE TREASURY

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FINANCIAL MANAGEMENT SERVICE

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ELECTRONIC FUNDS TRANSFER 99 PUBLIC HEARING

+ + +

Monday, October 20, 1997

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NEW YORK, NEW YORK

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The public hearing convened on the 1st Floor, Alexander Hamilton Customs House, One Bowling Green, New York, New York at 10:00 a.m., John D. Hawke, presiding.

APPEARANCES:

GOVERNMENT PANEL

JOHN D. HAWKE, JR., Under Secretary for
Domestic Finance

DONALD HAMMOND, Fiscal Service

LARRY STOUT, Financial Management

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APPEARANCES (Continued):

GOVERNMENT PANEL (Continued)

BEATRICE M. DISMAN, Social Security
Administration

THOMAS G. STAPLES, Social Security
Administration

FRANK SULLIVAN, Department of Veterans'
Affairs

WITNESS

THE HONORABLE ALFONSE D'AMATO, U.S. Senator,
State of New York

CONSUMER ISSUES - PANEL #1

LUPE IVERY, ACORN

FLORENCE RICE, Harlem Consumer Education
Council

SAM MILLER, Office of Manhattan Borough
President

FINANCIAL SERVICES ISSUES - PANEL #2

ADAM COYLE, Western Union Financial Services

DAVID WARFIELD, Travelers Express Co.

SUE McCARTHY, New York State Credit Union League

DENNIS LEWIS, New York State Credit Union League

LISA DUNAY, Empire Corporate Federal Credit
Union

MANUEL MIRABAL, National Puerto Rican Coalition

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CONSUMER ISSUES - PANEL #3

FRANZ LEICHTER, New York State Senator

BETH FINKEL, Council on Aging

GENE BARRETT, AARP

SHIRLEY GENN, Council of the Aging, Inc.

JOSEPH WASHINGTON, O.N.E.

SOL GORELICK, New York Legislative Social
Action Committee

CONSUMER ISSUES - PANEL #4

Hillary Botein, Neighborhood Economic
Development Advocacy Project

KATHARINE ROBERTS, Advocate

SAM MILLER, Office of the Manhattan Borough
President

MELVIN FAULKNER, Community Alliance for Youth
Action, Inc.

CLIFFORD ROSENTHAL, National Federation of
Community Development Credit Unions

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1 P-R-O-C-E-E-D-I-N-G-S

2 MR. HAWKE: Good morning. I'm John Hawke,
3 Under Secretary of the Treasury for Domestic Finance,
4 and I'd like to welcome you all here today for this
5 second in our series of public hearings on our
6 proposed regulation to implement the new program that
7 we call EFT 99, the federal government's fulfillment
8 of the statutory mandate to make all payments
9 electronically, all federal payments electronically by
10 January 1, 1999.

11 We appreciate your interest in this matter
12 and look forward to the information and insights that
13 you will provide to us during this process.

14 This hearing is a major step in our public
15 outreach during this rulemaking process, but I want to
16 emphasize that the record will be open for a full 90
17 days, and that we are delighted to have statements for
18 the record, even though there may not be an
19 opportunity to present them here in person today.

20 During the last year alone, the Treasury
21 has held meetings with over 100 interested
22 stakeholders and their organizations. We are very

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1 anxious to have input, and I'm pleased to be joined
2 here this morning by other representatives of the
3 government agencies that are involved in this process.

4 I want to welcome Beatrice Disman, who's
5 the Regional Commissioner of the Social Security
6 Administration. We have Tom Staples, Associate
7 Commissioner for Financial Policy and Operations of
8 the Social Security Administration; Don Hammond, who
9 is to my immediate right, who's our Deputy Assistant
10 Secretary for fiscal matters; and to my right, Larry
11 Stout from the Financial Management Service, who's
12 standing in for Commissioner Morris.

13 In writing these proposed regulations, and
14 I stress again that these are only proposed, the
15 Treasury Department met with numerous groups,
16 including consumer and community organizations, trade
17 organizations, vendors, financial institutions, and
18 other financial services providers to try to get as
19 much insight as possible into the issues that affect
20 these different groups and what electronic funds
21 transfer means to them and their constituents.

22 We made every attempt to adhere to four

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1 basic, but crucial principles when we drafted this
2 proposal.

3 First, the transition from paper payments
4 to EFT should be accomplished with the interest of
5 recipients being of paramount importance.

6 Second, that our policies should maximize
7 private sector competition for the business of
8 handling federal payments so that recipients not only
9 have a broad range of payment options, but also
10 receive their payments at reasonable cost with
11 substantial consumer protections and with the greatest
12 possible convenience, efficiency, and security.

13 Third, that recipients, and especially
14 those having special needs, the elderly, individuals
15 with physical disabilities, and those living in remote
16 or rural communities, should not be disadvantaged by
17 the transition to EFT.

18 And finally, that the EFT 99 Program
19 should try to bring recipients without bank accounts
20 into the mainstream of the financial system.

21 With these criteria in mind, I would like
22 again to stress how essential your input is today and

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1 throughout our comment period, which ends in mid-
2 December.

3 A few housekeeping matters before we turn
4 to our first witness. Our court reporter will record
5 this entire session as a means of documenting today's
6 proceedings, and within two weeks of the hearing, the
7 testimony will be posted on the Treasury Department's
8 EFT Web site for public review.

9 I would also like to thank the Customs
10 House officials for the use of this great facility and
11 the New York Federal Reserve Bank for the help of
12 their professional staff in organizing the logistics
13 of the hearing.

14 The hearing will proceed as follows. Our
15 first witness will be the Chairman of the Senate
16 Banking Committee, Senator D'Amato, and following
17 Senator D'Amato, we will have panels of
18 representatives from consumer organizations and the
19 financial services industry.

20 Let me now turn to our distinguished
21 initial witness, Senator D'Amato, whom we have had the
22 pleasure of working with extensively, not only on EFT

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1 99 issues. The Senator has already held at least one
2 hearing that we participated in exploring these
3 issues, and his insight into these issues is very
4 important to us as we go forward.

5 Mr. Chairman, I would like to welcome you
6 to the proceedings today. I must say this is an
7 unusual turning of the tables today for me to be
8 presiding and for you to be the --

9 SENATOR D'AMATO: You can ask me the
10 questions.

11 MR. HAWKE: -- witness, but we're
12 delighted to have you with us today.

13 Thank you, sir.

14 SENATOR D'AMATO: Well, Secretary Hawke,
15 let me first say that I'm deeply appreciative of the
16 sensitivity that you and the Department of Treasury
17 have exhibited and manifested not only by your words,
18 because words are easy in our business, but by way of
19 action.

20 I want to also thank you for accommodating
21 the schedules that we all have, myself in particular,
22 and giving me this opportunity to be the lead off

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1 witness.

2 And I might say I want to thank all of
3 your colleagues for participating today, but
4 particularly Beatrice Disman. I want to just take
5 this opportunity to say that notwithstanding the
6 incredible volumes, volumes and reams of requests that
7 come through daily for clarification from people who
8 have the greatest of problems, the disabled, those who
9 have lost their spouses and have dependent children,
10 those who are so dependent upon our Social Security
11 system, that you and your people do day in and day out
12 just a tremendous job, a great, great job.

13 Your responsiveness to the requests that
14 we make or our office makes on behalf of literally
15 thousands of people is second to none, second to none.
16 You've got a great esprit de corps that your people
17 have, and I just want to share that with you and let
18 you know.

19 MS. DISMAN: Thank you so much, Senator.

20 SENATOR D'AMATO: Secretary Hawke, again,
21 we go back some time ago, five months ago, when the
22 Senate Banking Committee held hearings to consider the

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1 implementation of EFT 99. I was besieged, and not
2 even besieged, but rather, had a number of people who
3 work very closely with many of the people who will be
4 affected.

5 We're talking about ten million people who
6 do not have banks, who don't utilized them; many
7 language problems, consequently never opened up an
8 account, most of them elderly, many disabled,
9 veterans, non-veterans, some people with mental
10 disabilities, et cetera, and that's why it is so
11 important.

12 And when Congress passed legislation that
13 said we wanted to save money by utilizing a system
14 that would put the assets, the monies of people, into
15 an account that would do away with the necessity of
16 having to mail on a monthly basis and the question of
17 lost checks, et cetera, and all of the costs attendant
18 with those people who lose them or who are robbed,
19 why, I think it was a good idea.

20 Having looked at the totality, I still
21 believe we have an obligation to attempt to work with
22 the unbank, but in a manner which gives to them the

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1 ability to make decisions on the initial rules and
2 regulations, and the pilot programs that were
3 undertaken in Texas and Alabama dealing with unbank
4 recipients did not have.

5 I was particularly concerned about the
6 effect on these ten million, and understand we are not
7 talking about insignificant sums of money. If,
8 indeed, we talk about ten million people and an
9 average of \$700 per check, some checks more, some
10 checks less, using that as an example, we are then
11 talking about \$7 billion a month. That's a lot of
12 money.

13 And that's a lot of money that will be
14 placed at the disposal, given that these are monies
15 that do not go into a bank now regularly, that would
16 regularly be deposited in various financial
17 institutions.

18 Now, that is in no way a criticism of the
19 financial institutions that would receive this, but
20 it's just to put an idea as to what we're talking
21 about, and I'm trying to do a little math here. That
22 comes to \$84 billion a year. That's a lot of money,

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1 \$84 billion.

2 So therefore, Mr. Secretary, when we talk
3 about what should the cost of these transactions,
4 because that's what we're talking about when we really
5 break it right down, and I've got this wonderful,
6 wonderful speech, and I want to thank my staff and Mr.
7 Mondello, Joe Mondello, Jr., in particular, and I ask
8 that the totality of my remarks be placed in the
9 record as if read in their entirety.

10 MR. HAWKE: We will be pleased to do that.

11 SENATOR D'AMATO: And it will save us all
12 some time.

13 But let's get right to it. If, indeed,
14 the institutions are permitted to make charges for
15 every withdrawal or almost every withdrawal that
16 people make, I believe that would be unconscionable.
17 I believe that would be wrong.

18 I think we have an obligation to say there
19 are certain standards and limits that you cannot go
20 above, and while we have made -- and I commend you for
21 having made -- I say I'm especially pleased with the
22 waiver positions which allow unbank recipients to

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1 continue to receive paper benefit checks in the mail
2 if they cannot get to a bank because of a physical
3 disability or if there is not one within their region
4 that they feel comfortable with, and these waivers are
5 self-certifying. So people just have to say, and you
6 will have a form for them, "I cannot or will not," or,
7 "I'd appreciate your not having me have to use this
8 particular bank."

9 That's good because the recipient
10 automatically continues to get the paper benefits.
11 There are some problems as it relates to the disabled,
12 but one of the questions that has not -- and you have
13 addressed that, and that's a major concern, and I
14 thank you -- but I still have strong doubts, and I am
15 extremely troubled about giving to the financial
16 institutions the ability to impose, quote, only
17 reasonable, reasonable fees.

18 What's a reasonable fee to someone who's
19 imposing it may not be a reasonable fee to the people
20 who are paying it, and I suggest to you that that
21 should not be left to some kind of industry-wide
22 standard, but with some degree of specificity we have

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1 got to determine that before we go forward with this.

2 Understand, again, there are a number of
3 other questions, and I'll just tick on some of them.
4 What will the terms of the account be?

5 Will the account holder have access to the
6 tellers in the bank? In other words, we're talking
7 about elderly people. We're talking about people who
8 have got disabilities. This is a major group. Will
9 they be able to come in? Are they just going to have
10 to use that machine to get their money out? Will they
11 be able to come in and have a teller explain to them
12 without additional cost or assist them?

13 Now, it seems to me that is reasonable.
14 After all, again, we talk about \$7 billion-plus a
15 month that banks will have deposited. They're not
16 paying interest on that. Not every account is going
17 to draw out all of that money every month. Indeed, I
18 would suggest that some people would probably even
19 accumulate it there, and again, that gets into a
20 question of consumer education, what we can do to tell
21 seniors how they can then use financial institutions
22 in a manner in which they can help themselves.

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1 But will they pay a fee to withdraw their
2 money from an ATM? Are we going to give them, as was
3 the case in Alabama and Texas, just one withdrawal
4 without charging? I think that's absurd because to
5 suggest that you only get one free withdrawal a month
6 and thereafter you would have to pay is
7 unconscionable. You're then saying to people, "Take
8 all of your money out at one time in order to avoid a
9 fee," and these people are seniors. They're going to
10 be probably taking their money out in rather small
11 amounts.

12 We estimated by some surveys that under
13 the loophole or under the guise of just having
14 reasonable fees without being able to determine, it
15 could cost a couple almost \$300 a month, husband and
16 wife, or \$300 a year -- excuse me -- \$300 a year.
17 That's a lot of money, \$300 a year, and it doesn't
18 take long when you see how these fees can add on top
19 of each other for accessing one's own account.

20 And the regulations that have been put
21 forward today, and I understand that they are and
22 that's why we have these hearings, the fees for this

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1 account will not be set by the government, and you
2 have suggested, Treasury has suggested, listening to
3 the banking industry for suggestions as it designs
4 features of the account.

5 Well, I think that's important. We have
6 to understand what their costs are, what their
7 operations are, but I think before we go forward, we
8 have to have more definiteness as to exactly what they
9 can and what they can't charge.

10 Mr. Secretary, there are people here who
11 will speak to the need of assuring this very
12 vulnerable population, and we have a very substantial
13 number of them right here in New York, and New York
14 City in particular, that, while we want to provide
15 them the opportunity to move into the modern era, it
16 is not at their expense, and that the financial
17 institutions of this country do have a social
18 obligation as it relates to meeting the needs of their
19 constituents.

20 And I am certain that with the Treasury
21 being mindful of this, hopefully we can come into a
22 situation where we don't see this population subject

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1 to double fees, subject to excessive charges, and
2 where there is a recognition of the tremendous assets
3 that they will be placing into these institutions, the
4 profits these institutions will be making, and that
5 they should share in some of those benefits since it
6 is their money, and we have an obligation to do that
7 because this is a specifically vulnerable population
8 and have identified them as being very vulnerable for
9 a whole number of reasons.

10 I am deeply appreciative of the
11 sensitivity that you have demonstrated to this subject
12 and the manner in which you and the committee have
13 responded, and I thank you.

14 MR. HAWKE: Mr. Chairman, we are deeply
15 appreciative of your taking the time to be with us
16 today, and you have raised, I think, exactly the right
17 questions. These are the kinds of questions that we
18 are going to be focusing on and that we hope to have
19 widespread public comment on, and as we go forward
20 with this, we hope we will be able to work very
21 closely with you and your committee in fashioning a
22 final regulation that will come up with the right

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1 answers to all of the important questions that you've
2 raised.

3 We, again, thank you for taking the time
4 to be with us today, and we look forward to continuing
5 to work with you.

6 SENATOR D'AMATO: Well, thank you, Mr.
7 Secretary.

8 MR. HAWKE: Thank you, sir.

9 SENATOR D'AMATO: It was good being with
10 you.

11 MR. HAWKE: We'll now move into the next
12 panel.

13 Good. We welcome the members of the
14 panel, and, Ms. Rice, we'll start with you if you'll
15 start by identifying yourself, and then we'd be happy
16 to receive your statement.

17 I think there are four mics there.

18 MS. RICE: Let me say good morning, and
19 I'm just delighted that I have the privilege of being
20 here.

21 MR. HAWKE: Could you identify yourself,
22 Ms. Rice?

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1 MS. RICE: Yes. I'm Florence M. Rice,
2 President of the Harlem Consumer Education Council.

3 And many of the things that Senator
4 D'Amato said, I certainly support him on it.

5 PARTICIPANT: We can't hear you.

6 MS. RICE: Thank you.

7 I support him on it.

8 I, Florence Rice, am deeply concerned as
9 an African American woman, being here over the years
10 and recognizing that many of us African Americans
11 could never get a loan from any of these banks. So I
12 call it a windfall for the banks, and I have a pro and
13 con because I recognize that certainly the technology
14 era is here. The government is certainly going to do
15 what they see that they have to do.

16 Many years ago, in '72, I sat and was in
17 a meeting with A.D. Little where they had the
18 conference on the moneyless, checkless society. So,
19 thank God, I've lived and am beginning to see it
20 develop.

21 And so, therefore, I do have a written
22 statement. I was supposed to have some to be able to

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1 give out. It hasn't gotten here yet.

2 So I say the electronic funds transfer,
3 and I cannot tell you that I am for it or I'm against
4 it, whether I agree or disagree of the future
5 development of the electric fund age. However, I do
6 recognize there are positive, as well as negative,
7 effects that our seniors are disabled and other
8 handicaps of our community shall receive from the
9 electronic fund act.

10 Once again, I have seen over the years how
11 the banks have destabilized our minority community by
12 not making loans to the African Americans. The banks
13 in their windfall bring the African American community
14 once again to the crossroad of economic deprivation by
15 the electronic funds transfer age.

16 I'm Florence Rice, again, represent many
17 of the seniors and, again, the working class of the
18 Harlem community, and I must say at this time I don't
19 have a bank account. A few years ago I needed a coat,
20 and when I looked at my bank statement, I had paid
21 \$202 for fees. I couldn't afford a coat. So,
22 therefore, I decided as of that year, I no longer

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1 needed a bank account.

2 I do believe in the credit unions though.

3 As a consumer advocate, one of my main
4 concerns are because I notice that ATMs in the
5 supermarkets, inferior products in the supermarkets,
6 will increase in prices preparing for those consumers
7 receiving government checks, which they do today in
8 our communities, will pay more for products, will be
9 ripped off by dishonest merchants of the Harlem
10 community.

11 And when I speak about Harlem, I just
12 speak anywhere where African Americans, and I will put
13 it this way: even where poor people live, and
14 regardless of race or color.

15 The overcharging rate for the usage of the
16 electronic funds transfer.

17 Also, monies made in the communities not
18 being returned back into the community.

19 My concern also: where will the ATMs be
20 placed? Who will be eligible for a reasonable point
21 of sale to be located on their premises? What cost
22 will be charged on the transactions? And I think many

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1 others will question that.

2 Will those costs be higher or lower than
3 those charges by existing check cashing outlets? And
4 I want to say this in behalf of the check cashing
5 company, yet I don't think I've ever cashed my check
6 in a check cashing, but in fact, at one time they're
7 the only people that would cash our checks, and again,
8 I've come down the road of life. I'm 78. I can
9 remember when African Americans were not welcome in
10 the bank, not to cash a check anyway, or if not, they
11 always treated us like we were criminals.

12 Will those costs be higher or lower than
13 those charged by existing check cashing outlets?

14 What is the procedure to be adopted for
15 recipients to obtain access card? Is it possible to
16 give the community a description of that procedure?

17 If EFT is considered to be an example of
18 financial hardship based on physical disability,
19 recipients to be eligible for a waiver.

20 Could points of sales, ATMs, be located in
21 senior citizen centers?

22 And I also want to say and give credit to

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1 Franz Leichter, who many years, in fact, I'm generally
2 in contact with Franz Leichter, Senator Franz
3 Leichter, because he is someone that I could always
4 express the way I feel about banking.

5 I think what I would like to say here and
6 end it here is I think in 1985, and I might be wrong
7 on the date, the American bankers, and my theme then
8 was for poor people, who needed the banks, and right
9 now I'd say that, even though overall I know that it's
10 coming, and people will get used to it.

11 For many senior citizens, ATMs, unless
12 there's a real effort to inform and educate these
13 people, it's like a frightening thing, and then,
14 again, once a system is set up, then you have on the
15 other end people who sit there to scheme in how they
16 can obtain that funds from those people.

17 So I think with that I would say thank you
18 for giving me the privilege of speaking today.

19 MR. HAWKE: Ms. Rice, thank you for being
20 with us today, and we appreciate the thought that went
21 into your remarks.

22 Our next speaker is?

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1 MS. IVERY: Lupe Ivery.

2 MR. HAWKE: Lupe Ivery.

3 MS. IVERY: Good morning. My name is Lupe
4 Ivery. I'm a member of ACORN.

5 ACORN has over 100,000 low and moderate
6 income, mostly minority member families in cities
7 across the United States. Many of our members and
8 neighbors are looking at EFT with great concern.

9 EFT is a great opportunity to establish
10 banking relationships for the ten million people that
11 don't have bank accounts. That's something ACORN has
12 been working very hard on for a very long time to
13 achieve, but ten million people don't have bank
14 accounts for very good reasons, and forcing this issue
15 could hurt them. So the Treasury Department has to be
16 careful about how it writes the plan for EFT.

17 As I just said, EFT can be the way our
18 people finally get bank accounts. This would be a
19 very big help to many families. I have a bank
20 account. I got it because I was a federal employee
21 and was offered a special deal. I opened it for free
22 and have direct deposit and free checks. It makes my

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1 life easier. It helps me save money, and it's
2 impressive to people I have to do business with.

3 But now my nieces can't afford a bank
4 account. Instead they have to go to check cashers and
5 pay someone to get their money. That's not right.
6 Sometimes I can cash their checks and write checks for
7 them so they can have their money and pay their bills,
8 but they should be able to do this for themselves.
9 They should be able to have their own bank accounts
10 because with EFT, the Treasury Department has the
11 power to make this happen.

12 The Treasury Department shouldn't be
13 afraid of asking banks to do their part. In the
14 government's pilot program in Texas, Citibank has a 50
15 percent return on investment from its electronic
16 accounts. That's before you count how much they made
17 on interest from the money they were holding for
18 people.

19 Citibank made so much money that both the
20 Social Security Administration and the Texas Bank
21 Commissioner complained about how much money they
22 charged people.

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1 Between the profit that banks make and the
2 hundreds of millions of dollars the Treasury
3 Department will save from using EFT, people can be
4 helped into bank accounts.

5 But the Treasury Department's current plan
6 isn't much good for doing that. What Treasury has to
7 do is make sure banks and check cashiers don't combine
8 where they would have to charge double for only the
9 same service.

10 The Treasury Department also has to make
11 sure banks treat the new customers like full
12 customers.

13 Third, the public education campaign has
14 to include community groups fully in the education
15 effort.

16 Apparently the Treasury Department wants
17 people to do one of four things. If they have a bank
18 account, then they must tell the Treasury Department
19 to electronically deposit their checks into that bank
20 account, but ten million people who get a federal
21 check don't have bank accounts, and they have to do
22 something else.

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1 The Treasury Department gives these people
2 three other choices. They can go out and get a bank
3 account. In some cases they can waive themselves out
4 of the law to get an account.

5 If they don't do any of those things, then
6 the Treasury Department will give them an account
7 called the electronic transfer account.

8 All of these options have problems for our
9 people. First, everybody can't get a bank account.
10 If people could get bank accounts easily, then there
11 wouldn't be ten million people without bank accounts.

12 The people can't get bank accounts, and
13 for a lot of reasons. Some banks ask you for a lot of
14 money to open the account. Some put long holds on the
15 money you deposit. Some ask you to keep a minimum
16 balance. Often there are a lot of expensive fees that
17 go along with the account.

18 Many banks do all of these things.
19 Whether the Treasury Department tells you to get an
20 account or not, these things are going to keep you
21 from getting that account. Expecting people to get
22 bank accounts just because you say so is a false

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1 expectation.

2 But you can't expect letting them go to
3 check cashers will be any better. Check cashers don't
4 charge a lot of money for those other services, but
5 check cashers don't give you those other services, and
6 they charge you to cash your check.

7 In asking people to get accounts at banks,
8 check cashers or whatever exists out there now, the
9 Treasury Department is asking people to open up their
10 wallets to a vacuum cleaner so that the government can
11 save 40 cents a check. We at ACORN have a huge
12 problem with that.

13 What the Treasury Department should be
14 doing is making sure these accounts don't rob us. The
15 Treasury Department has the power to do it. The law
16 says that the Treasury Department must insure that
17 individuals required to have an account at a financial
18 institution have access to such an account at a
19 reasonable cost and are given the same consumer
20 protections as other account holders.

21 We ask that you use this power to make
22 sure we get necessary financial services at affordable

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1 prices in the private market.

2 The Treasury Department says it will also
3 let people ask for a waiver from the law, but the
4 Treasury Department won't give all of the waivers it
5 needs to give. It won't have to get an account if the
6 account costs too much or if it's hard to get to the
7 account because the bank is too far.

8 I also won't have to get an account if I
9 have a physical disability, but if I already have an
10 account, then I won't be able to get any of these
11 waivers. If I lose my job or move or get hurt in an
12 accident and the account isn't useful anymore, then I
13 should be able to close the account and get a check.

14 The Treasury Department ought to change
15 that part of the waiver plan.

16 The Treasury Department should also
17 include more waivers. If someone has a mental
18 disability, then it may be too hard to use an electric
19 account. The same goes if they don't speak the
20 language or can't read.

21 In fact, these are some of the problems
22 that force many people to turn to the government for

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1 help. We shouldn't be making these problems barriers
2 to getting help.

3 The most important thing the Treasury
4 Department can do is make the ETAs adequate to meet
5 the needs of the ten million people without bank
6 accounts. As I said earlier, many people won't have
7 the other options to use and will be forced into the
8 electronic transfer accounts.

9 ETAs have to work for people. We aren't
10 any different than you. We need to pay bills by check
11 or money order. We need to save money for
12 emergencies. We need to be able to walk into a bank
13 lobby to get help when we need to. We need all of
14 these things, and we need it at prices we can afford.

15 The Treasury Department will be bargaining
16 with banks to get their service for the ten million
17 unbanked families out there. We're only here because
18 the Treasury Department wants to save money. It ought
19 to share the good fortune with the ten million
20 affected by the law and get good, affordable accounts.

21 Please develop the plan so that it's
22 helpful to all of us. ACORN is here to help you do

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1 that.

2 Thank you.

3 MR. HAWKE: Thank you very much.

4 Mr. Miller.

5 MR. MILLER: Good morning. My name is Sam
6 Miller. I'm a policy analyst in the Office of
7 Manhattan Borough President, Ruth Messenger. Thank
8 you for allowing me to testify on her behalf.

9 The Electronic Transfer of Federal
10 Benefits Program promises to simplify and safeguard
11 the receipt of federal benefits for millions of New
12 Yorkers. Moreover, EFT 99 promises to save the
13 Treasury Department millions of dollars in processing
14 fees.

15 The Borough President shares these worthy
16 goals with you. However, the vagueness of the
17 department's proposed rules on EFT 99 raises several
18 questions that need to be answered before mandatory
19 electronic transfers are implemented in New York and
20 other states.

21 For example, the proposed rules indicate
22 that waivers will be granted to benefit recipients who

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1 can certify that their physical disability or
2 geographic situation would make electronic transfers
3 impractical.

4 This idea makes sense, but it is not
5 explicit enough. Physical disability should be
6 certified according to definitions set forth by the
7 Americans with Disabilities Act.

8 Moreover, recipients with certified mental
9 illness, language barriers, and literacy deficiencies
10 should also qualify for waivers. These conditions
11 might make electronic transfers a hardship for many
12 people, particularly senior citizens.

13 More explicit rules regarding the
14 electronic transfer accounts themselves are also
15 needed. It is unclear, for example, what the Treasury
16 Department will accept as a reasonable cost for using
17 ETA cards, as other witnesses have said. This is an
18 important question for recipients who live on fixed
19 incomes, particularly as more and more automated
20 teller machines begin to charge transaction fees.

21 The department should work with New York
22 and other states to insure that all EFT recipients

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1 have access to affordable ATMs.

2 Currently many recipients lack easy access
3 to affordable ATMs because red lining has deprived
4 their neighborhoods of regular banking institutions.
5 The Treasury Department is right to insist that
6 recipients without bank accounts establish ETAs in
7 federally insured institutions. This will protect
8 recipients from inflated fees and provide consumer
9 protections against lost ETA cards.

10 However, the department should extend
11 these same protections to recipients who already have
12 bank accounts.

13 Along these lines, the Treasury Department
14 should take steps to insure that electronically
15 transferred federal benefits are protected from
16 judgment creditors, such as hospitals. Fear of
17 judgment prevents many low income recipients from
18 opening bank accounts because banks do not always
19 protect federal benefits against judgment, even though
20 they must by law.

21 Enforcement of this law must be increased,
22 and funds in ETAs must also be vigorously protected

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1 from judgment.

2 Before closing my brief testimony, the
3 Borough President wants to reiterate a point that I
4 hope this testimony has made clear, namely, that the
5 burden for making EFT 99 work effectively should rest
6 on the Treasury Department and the banks, not the
7 recipients of federal benefits.

8 Given the relative scarcity of full
9 service banking in many neighborhoods, the onus must
10 be on the banks to make electronic transfers practical
11 and safe. Perhaps EFT 99 should be included as one of
12 the yardsticks by which we rate banks according to the
13 Community Reinvestment Act. Those institutions that
14 implement EFT 99 well should receive points under CRA.
15 Conversely, those that do not should have points
16 detracted from their CRA scores.

17 Thank you for allowing me to testify. The
18 Borough President hopes that the Treasury Department
19 will continue to hear testimony even after the rules
20 are promulgated so that New York and other states can
21 implement EFT 99 to everybody's benefit.

22 Thank you very much.

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1 MR. HAWKE: Thank you, Mr. Miller.

2 I want to thank all of the witnesses for
3 their thoughtful statements. You've certainly raised
4 a great many of the questions that we ourselves have
5 been grappling with, and we appreciate your input.

6 Before I open it up to the panel to see if
7 there are any other questions, I just wanted to say,
8 Mr. Miller, with respect to one point that you made
9 about tightening up the definition of physical
10 disability, we gave some thought to that, and we
11 would, frankly, rather go in the other direction, to
12 let individuals decide on their own standards whether
13 they have a physical disability rather than force them
14 to measure their circumstances against some other kind
15 of complicated definition.

16 We want to try to make the invocation of
17 waivers as easy as possible for individuals, and so if
18 an individual has a physical hardship, some physical
19 barrier or a geographic barrier, that is, or a
20 physical problem, we're perfectly content to allow
21 them to define that essentially in their own terms
22 rather than force them to deal with some complicated

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1 definition.

2 MR. MILLER: Right.

3 MR. HAWKE: I think we have the same
4 objective.

5 MR. MILLER: Yes, right. I think that
6 makes sense. It's just the Borough President is
7 concerned because in previous debates about benefits,
8 at times it seems like the definition of disability
9 has been narrowed, and the Borough President doesn't
10 want to see that happen, again, in this decision.

11 MR. HAWKE: We want to take a broad and
12 comfortable approach toward all of these waivers and
13 really leave it up to the individuals to determine
14 whether on a broadly stated standard whether they
15 think they're eligible.

16 MR. MILLER: As long as those suggestions
17 by the individuals are accepted by banks.

18 MR. HAWKE: Well, it will be accepted by
19 the program agencies who are making the payments, and
20 our intent is that the individual's self-certification
21 will be dispositive, that there's not going to be any
22 after-the-fact checking or any recriminations. It

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1 will be up to the individual to tell us whether they
2 are entitled to a waiver, and that will be the end of
3 it.

4 We think that's the only way that this can
5 work in a fair and efficient manner.

6 Let me ask if there are any questions or
7 comments from other members of the panel. Don.

8 MR. HAMMOND: Ms. Rice, in your statement
9 you mentioned that a favorable disposition or whatever
10 to the services that credit unions may provide, and I
11 wanted to follow up and just say: do you find that
12 credit unions are well located in your community and
13 convenient for the area in which you live?

14 MS. RICE: I have to answer yes and no on
15 that. I belonged to a credit union for a period of
16 time. I think many of the churches or some of the
17 churches have credit unions. Credit unions is
18 something that most people don't seem to be fully
19 aware of. They're not, I don't think. They're not,
20 you know, well known in the community.

21 Probably a list needs to be distributed
22 that people would know. It's education really.

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1 MR. HAMMOND: And some of the churches,
2 you say, have credit unions?

3 MS. RICE: Yes, yes. We have a few of the
4 churches. I know St. Phillips, for one, Canaan
5 Baptist, and that's about it, but I do know that there
6 are a few churches that have credit unions.

7 MR. HAMMOND: Thank you.

8 MR. HAWKE: Larry.

9 MR. STOUT: The focus of the attention
10 that we have had so far today has been on the unbank
11 community, and rightly so, but one of the things we're
12 going to have to work with is there will be at least
13 the same number or slightly more individuals who
14 currently have a relationship with a financial
15 institution, but continue to get a check from the
16 federal government.

17 And I was wondering as a panel if you
18 could give us some perspective as to the kind of
19 issues and the kinds of things we're going to need to
20 be aware of in trying to move those individuals who
21 already have that relationship, to move from a check
22 to an electronic deposit.

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1 MS. RICE: It's hard for me to speak on
2 that. I think what some of the people that I have
3 spoken to, again, what bothers a lot of people even
4 though they have bank accounts is how quickly someone
5 else has an opportunity to reach into your bank
6 account and snatch out without informing you.

7 I have two cases where people's bank
8 account was gone into. The bank didn't inform them,
9 nobody, but still they removed that money, and some of
10 it was the government's money.

11 So in fact, I'm surprised I didn't have it
12 in here, but that is a concern, and especially in poor
13 communities because rights in the poor community is
14 always ignored because most people don't know their
15 rights.

16 MR. STOUT: Mr. Miller, did you want to
17 respond?

18 MR. MILLER: I don't have anything.

19 MR. STOUT: Okay.

20 MS. IVERY: I am concerned also that all
21 of the banks that close their branch office, that you
22 know, now you have to commute to a larger area, really

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1 commute out of your neighborhood. I would like those
2 branches to open up again, to continue their service
3 before they became automated.

4 You know, a lot of branches have closed
5 up, gone to the main office, and now the community has
6 not bank. Are they going to reopen again?

7 MS. RICE: I can tell you. No.

8 MS. IVERY: All of this money that's
9 coming in, that should be, you know, kind of like an
10 incentive to open up again, open the branch offices.

11 MS. RICE: They're bankers. They won't
12 change, and the whole thing is --

13 MS. IVERY: Well, maybe that should be one
14 of the rules. You know, open up a branch office or
15 there's quite a few branch offices that closed up in
16 the area where I live. I live out in Queens, and you
17 know, you have to commute to go to a bank, and if
18 you're going to kind of enforce that everybody get
19 direct deposit, then open up the branch office that
20 you can go to in your neighborhood.

21 MR. HAWKE: Are there ATMs that are
22 conveniently located?

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1 MS. IVERY: I don't use it.

2 MS. RICE: That's the problem. We don't
3 use them.

4 MR. HAWKE: Any other comments?

5 MR. SULLIVAN: I'm not from the Department
6 of Treasury. I'm from a program agency in the federal
7 government, Department of Veterans' Affairs, and we've
8 been really concentrating for the most part -- the
9 unbanked is a very small part of the beneficiaries we
10 deal with -- and we've been concentrating on those
11 that have bank accounts.

12 Recently, over the last year, we have made
13 a significant increase of around 15 percent since we
14 went on a campaign, and one of the reasons we're
15 really pushing hard on this, too, is because we
16 experience around 10,000 claims for lost or stolen
17 checks, and you know, we owe it to our beneficiaries
18 to provide alternatives to try to protect them from
19 that type of thing, as well as in our interest on the
20 government's side, because there is a cost.

21 We maintain, Treasury and VA, our
22 department, as most agencies, maintain expensive,

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1 large claims processing, loss claims processing
2 systems. So if we could get more participation on
3 EFT, that's to our benefit.

4 So the question I have to you: to go
5 after these, you know, we use, to promote this EFT and
6 direct deposit, we use different programs like direct
7 mailers with enrollment forms, call-in numbers, and
8 even asking payees to visit their banks. Do you have
9 any suggestions for any other means we can go out
10 there and promote EFT for those that have bank
11 accounts?

12 MR. MILLER: You can go to places like
13 senior centers in places like New York and other
14 cities.

15 PARTICIPANTS: We can't hear you.

16 MR. MILLER: Sorry. I'm saying you can go
17 to senior centers, you know, places --

18 MS. RICE: Churches.

19 MR. MILLER: Churches, synagogues. That
20 just leapt to mind. Senior centers particularly are
21 a main part of the senior network here in New York
22 City, and they're in virtually every neighborhood. So

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1 they're good sources of information and good places to
2 give out information.

3 MS. RICE: Could I? I think one of the
4 things that I would like to see, I would like to see,
5 if you're really reaching down into the community, in
6 my community, which is New York, it's a diverse
7 community, and right now I do consumer education, but
8 my problem is that there's not enough information in
9 different languages. So, therefore, people don't
10 understand, and it makes it very, very difficult for
11 me, who doesn't speak any language, to be out there.

12 So what I suggest, I would like to see
13 some of the material in comic books, in languages that
14 people can understand, and because I'm thinking of the
15 people who are poor, some who are illiterate, who
16 can't read, and if we're saying that we're forcing
17 people to use a system that they don't know anything
18 about, then you prepare so those people will at least
19 begin to understand and to be handed to those people.

20 I do get very annoyed with a lot of
21 material I get, but it's not in Spanish. It's not in
22 French, Haitian. So, therefore, I'm just saying they

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1 don't know, and they are terrified to know that they
2 are going to be forced to use the ATM.

3 One of the things I'd like to say with the
4 have-nots, I heard somebody speak about the Web. I
5 don't even have a computer. So I can't get to the
6 Web. In poor communities, many of us don't have that.
7 So you're really forcing people to maybe even commit
8 crimes that would automatically be developed because
9 they don't know, and that's my concern.

10 Put out material. The government puts out
11 terrible material, let me tell you. So, therefore,
12 you go back there. We're moving to those communities
13 where you get African Americans. You get grassroot
14 Dominican or Latino people. Get the kind of people
15 that can reach those people and put that material out.
16 Otherwise it's going to be a fiasco, and I'll tell you
17 I will lead the fight against it.

18 MS. DISMAN: Florence, if I may comment,
19 certainly in Social Security I think we have
20 understood and have attempted to reach that, and I
21 just want to comment to Treasury and the other benefit
22 programs, that certainly when we implemented the

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1 welfare reform legislation, there were six major
2 languages that we printed our fact sheets in and had
3 them in the community, and we think that was very
4 significant for outreach in order to be able to do
5 that.

6 We focused on that, and we did our
7 community outreach groups. We heard exactly what you
8 were saying as to basic facts, and so that as we have
9 new legislation, we are focusing also to put it into
10 the languages as well.

11 MR. HAWKE: I want to make clear that our
12 public education campaign is going to be multi-
13 language, as well, and we intend to work with
14 communities on exactly the sort of thing that you were
15 describing, that is, making sure we know the best way
16 to get to constituents that have different language
17 skills.

18 MS. RICE: All right. One more thing
19 then. I understand that the OCA, the federal level,
20 is going to be eliminated. I'd say that agency has
21 helped me to put out more material for poor people
22 than any other agency that I'm in contact with. So

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1 you can carry it back to the President, that I would
2 like to see that agency continue, and the Senator, I
3 will speak to him.

4 MR. HAMMOND: Are you speaking of the
5 Office of Consumer Affairs?

6 MS. RICE: Consumer Affairs, yes.

7 MR. HAMMOND: I will tell you that I
8 didn't know they were slated for elimination, but we
9 have met with Ms. Byrd, who is the head of the Office
10 of Consumer Affairs --

11 MS. RICE: She'll be here next week.

12 MR. HAMMOND: -- talking about public
13 education.

14 MS. RICE: Yeah, well, I'm fighting to
15 keep it open. Whether I can or not I don't know. So
16 I can use your help.

17 MR. HAWKE: I want to thank all of the
18 panel members. This has been very helpful, and we'll
19 take a very short break before going on to the next
20 panel, and I want to remind everybody that there's
21 coffee and refreshments available just outside the
22 hearing room.

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1 We'll reconvene here in ten minutes.

2 (Whereupon, a short recess was taken.)

3 MR. HAMMOND: Hello, again. I'd like to
4 welcome everybody back to our third panel of the day,
5 and this panel is composed of Adam Coyle from Western
6 Union Financial Services; David Warfield, the Director
7 of New Business for Travelers Express; Sue McCarthy
8 from the New York State Credit Union League; Lisa
9 Dunay, who is the Director of Quality Assurance for
10 Empire Corporate Federal Credit Union; and our fifth
11 panelist this morning is Manuel Mirabal, who is the
12 President of the National Puerto Rican Coalition.

13 I'd like to welcome you all this
14 afternoon.

15 Mr. Coyle.

16 MR. COYLE: Thank you.

17 Good morning. My name is Adam Coyle. I'm
18 based in Englewood, Colorado, and I'm counsel for
19 Western Union Financial Services.

20 I appreciate and welcome the opportunity
21 to appear before you this morning to discuss the
22 proposed Treasury Department regulations implemented

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1 the Data Collection Improvement Act of 1996.

2 In light of the ambitious number of
3 speakers that the panel is looking to get through
4 today, I'm going to try to abbreviate my comments.
5 However, the full text of my testimony has been
6 submitted for the record.

7 As a major financial institution with over
8 46,000 money transfer payment instrument agent
9 locations throughout the United States and over 14,000
10 locations in 140 countries worldwide, Western Union is
11 understandably interested in the implementation of EFT
12 99.

13 With a history that dates back to 1851,
14 Western Union offers consumer money transfer services,
15 money orders, and other payment products. We target
16 our services to individuals without traditional
17 banking relationships and to ex patriots who need to
18 spend money to their country of origin, what we refer
19 to as the cash based society, as well as traditional
20 bank customers in need of rapid money transfer
21 services or safe and reliable payment instruments.

22 What is the cash based society? The U.S.

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1 Treasury Department acknowledges that nearly 20
2 percent of the 54 million federal benefits recipients,
3 some ten million people, lack any account at a bank or
4 other depository institution.

5 In addition to this unbank population,
6 there's a sizable population of under-bank individuals
7 today, people who maintain monthly bank balances of
8 \$200 or less.

9 Western Union specializes in providing
10 affordable, safe, and reliable financial services to
11 this sizable population. Last year alone, Western
12 Union and its affiliates issued or processed over 35
13 million money transfers and 235 million money orders.
14 We also make 58 million public utility payments on
15 behalf of our customers.

16 We believe that over time we have
17 developed and now possess the skills and attributes
18 needed to serve this diverse and demanding customer
19 base. However, most importantly, we understand the
20 needs of the cash based society. We understand that
21 they don't necessarily want to be banked.

22 We also understand the banked services

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1 often aren't available to these individuals. For
2 example, members of the cash based society often live
3 in rural areas or low and moderate income
4 neighborhoods. As a result, there's typically an
5 absence of conveniently located financial institution
6 offices, including ATMs, near their homes or places of
7 employment.

8 Western Union has developed an extensive
9 network of independent businesses as agents to provide
10 convenient access to financial payment products and
11 services near where our customers live and work. Our
12 agent base includes over 11,000 supermarkets, 3,000
13 pharmacies, and private transportation providers, like
14 Greyhound Bus Lines.

15 Unlike most financial institutions, these
16 Western Union agents are often open up to 24 hours a
17 day, seven days a week.

18 For many of our customers English is a
19 second language, one in which they may lack
20 proficiency. As a result, Western Union actively
21 recruits agents who are fluent in the language of
22 their neighborhood, including, for example, Spanish,

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1 Russian, Farsi, Chinese, Korean, Polish, and Hindi.

2 In addition, unlike ATMs that may only
3 dispense \$20 bills, at a Western Union agent office,
4 a customer can receive a cash payout of any amount in
5 precise dollars and cents.

6 While Western Union consistently provides
7 prompt, convenient, and reliable services in a highly
8 competitive manner, we are also mindful of the fact
9 that the rapidly evolving electronic payment structure
10 presents new challenges for us, our customers, and,
11 indeed, government regulators as well.

12 Of course, the first challenge that we all
13 share is the implementation of the DIA, and I wish to
14 publicly commend officials of the staff of the
15 Treasury Department for their efforts in this regard.
16 The task of crafting and implementing regulations is
17 a formidable one.

18 Unfortunately, Western Union was
19 disappointed by the proposed revisions to 12 CFR, Part
20 208. We believe that the implementation of the
21 regulations as currently drafted would inhibit Western
22 Union's ability to participate in the EFT 99 in an

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1 expeditious and cost efficient manner.

2 Our disappointment primarily stems from
3 the account requirements set forth in the proposed
4 Section 208.6. Section 208.6 provides that all
5 federal payments made by electronic funds transfer
6 must be deposited into an account in an FDIC insured
7 depository institution or credit union in the name of
8 the recipient.

9 Aside from certain hardship waivers, the
10 proposed regulations recognize only two exceptions to
11 this account requirement: payments to authorized
12 payment agents, which is defined in the regulation to
13 mean the same thing as a representative payee, and
14 direct transfers to investment accounts established by
15 registered brokers or dealers.

16 On more than one occasion Western Union
17 has requested that the Treasury Department consider
18 expanding the authorized payment agent definition to
19 include licensed money transmission businesses. This
20 would enable benefits recipients to designate Western
21 Union or other similarly situated entities as their
22 authorized payment agent.

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1 In turn, Western Union would establish an
2 individual fiduciary account at an insured depository
3 institution for the benefit of such recipients from
4 which funds could be made available to those
5 recipients at any of the 36,000 Western Union agent
6 locations worldwide. Such arrangement would be
7 eligible for deposit insurance and would be subject to
8 federal consumer protection laws, including Regulation
9 8.

10 This would be similar to the proposed
11 broker-dealer exemption contained in Section 208.6(b),
12 which permits federal payments to be deposited into an
13 investment account maintained in the broker-dealer's
14 name.

15 The notice of proposed rulemaking
16 expressed concern about permitting the direct
17 electronic transfer of federal benefits into an
18 account controlled by a third party non-bank.
19 Specifically, you questioned exposing benefits
20 recipients to the potential failure of such third
21 parties to honor their obligations and the lack of
22 federal oversight of such fiduciary arrangements.

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1 We believe that the Treasury's concerns
2 are not well founded in the case of Western Union and
3 many other potential authorized agents. Western Union
4 and other money transmitters operating on a national
5 scale are particularly well suited to qualify as
6 authorized payment agents because of their numerous
7 agent locations and their experience in providing
8 financial services to the cash based society.

9 Moreover, Western Union is subject to
10 comprehensive regulation and licensing. Forty-three
11 states, the District of Columbia, and Puerto Rico
12 currently have sale of checks or money transmission
13 laws which require money transmitters to obtain a
14 license prior to engaging in such businesses.

15 Western Union is also subject to
16 regulation on the federal level under the Bank Secrecy
17 Act and the Money Laundering Control Act of 1986. The
18 Bank Secrecy Act requires Western Union to maintain
19 certain records, verify the identity of customers and
20 file certain currency transaction reports.

21 In addition, the Money Laundering
22 Suppression Act will require Western Union to register

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1 with the Treasury Department as a money services
2 business.

3 For the foregoing reasons, we believe that
4 a direct, active participation of Western Union in EFT
5 99 does not present any of the policy concerns
6 expressed in the proposed regulations with respect to
7 third party of fiduciary accounts. Clearly, and
8 particularly in view of the longstanding service
9 commitment that Western Union has shown to federal
10 benefits recipients, Western Union should be accorded
11 parity with broker-dealers.

12 It seems ironic that an account structure
13 that is available to wealthy Social Security
14 recipients with brokerage accounts is not available to
15 persons that cannot afford such accounts.

16 We strongly feel that by requiring
17 virtually all federal payments to be deposited into
18 accounts in the name of the recipient alone,
19 competition for the delivery of needed financial
20 services will be significantly inhibited. As stated
21 above, there are significant numbers of financial
22 intermediaries and fiduciaries that are fully capable

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1 of providing enhanced services to the under-bank and
2 cash based society.

3 By proposing a rule that diminishes rather
4 than stimulates competition, the proposed regulation
5 ignores one of the primary goals of the Debt
6 Collection Improvement Act, which is to make accounts
7 available to under-bank recipients at a reasonable
8 cost.

9 While the law also requires that such
10 accounts are given the same consumer protections as
11 other account holders, it sadly does not mandate that
12 federal benefits recipients should have access to
13 their accounts at convenient locations in the
14 neighborhoods where they live and work, such as
15 Western Union could provide.

16 In summary, we believe that EFT 99 cannot
17 be viewed in a vacuum. Its implementation must be
18 considered against the backdrop of the unprecedented
19 development of electronic commerce in the application
20 of new financial products, services and delivery
21 systems.

22 While members of the cash based society

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1 are usually not present among the community of early
2 adapters, the new and different ways in which
3 financial services are to be made available in the
4 future will nevertheless ultimately affect them. EFT
5 99 is merely symptomatic of the profound changes to
6 come. It is, therefore, inadvisable to structure the
7 delivery of federal payments based solely on the
8 existing infrastructure.

9 I sincerely appreciate the opportunity to
10 appear before you this morning, and I will be happy to
11 answer questions when the panel is finished.

12 Thank you.

13 MR. HAMMOND: Thank you very much, Mr.
14 Coyle.

15 Our next witness this morning would be Mr.
16 Warfield.

17 MR. WARFIELD: Good morning. My name is
18 Dave Warfield, and I am the Director of New Business
19 Development for Travelers Express Company based in
20 Minneapolis, Minnesota. I appreciate and welcome the
21 opportunity to testify at this hearing.

22 I, too, have abbreviated my comments, but

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1 submitted a full text.

2 Travelers Express is a leading provider of
3 payment services and one of the nation's largest
4 issuers of money orders. The department has invited
5 comments specifically on the role of nonfinancial
6 institutions in the delivery of federal benefits to
7 recipients who do not have bank accounts with a
8 depository institution. Travelers Express would like
9 to address that issue and to demonstrate the
10 compelling argument that non-bank financial
11 institutions should be an authorized payment agent for
12 the electronic delivery of such benefits if the non-
13 bank financial institution is a state licensed money
14 transmitter and it is partnering with a federally
15 insured financial institution.

16 Travelers Express sells its money orders
17 through independently owned and operated retail
18 merchants and financial institutions, including
19 convenience stores, grocery stores, gas stations,
20 check cashers, credit unions, and banks. Travelers
21 Express money orders are sold through approximately
22 44,000 retail and 4,500 financial institution

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1 locations nationwide.

2 In 44 states, the issuance and sale of
3 money orders is regulated by state law and
4 administered by the State Banking Department. In
5 order to obtain a license to sell checks or to
6 transmit money, a non-bank financial institution must
7 post a bond, provide extensive financial and
8 operations information, maintain certain capital and
9 liquidity requirements, file quarterly and annual
10 reports, undergo on-site compliance examinations, and
11 in a significant number of states invest outstanding
12 balances in highly rated liquid investments.

13 These laws were enacted to insure the
14 safety, security and soundness of companies which hold
15 large amounts of customers' money pending the clearing
16 of a check or money order, and Travelers Express
17 maintains a rigorous compliance effort involving all
18 levels of the company.

19 Travelers Express is also subject to
20 regulation at the federal level under the Bank Secrecy
21 Act, which was adopted to combat money laundering.

22 Millions of ordinary Americans purchase

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1 and use money orders daily to conduct their financial
2 affairs. Travelers Express strives to effectively
3 serve consumers who have a legitimate reason not to
4 maintain a bank account, providing a vital necessity
5 of enabling such customers to transact their business
6 safety and without the use of cash.

7 While surveys show that cost and minimum
8 balance requirements are sometimes a factor, access to
9 a bank, the perceived lack of financial privacy, and
10 need for an account are also cited. As one of the
11 nation's leading money order companies serving the
12 needs of these individuals, Travelers Express has
13 nationwide access to the very individuals that the
14 department is most concerned about reaching:
15 recipients who do not have and may prefer not to open
16 a bank account.

17 In 1996, Travelers Express processed over
18 750 million transactions with a face amount of over
19 \$90 billion. We also processed over 25 million
20 utility payments on behalf of our customers.

21 Our company retains retail merchants who
22 are well positioned to serve the very population which

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1 is disinclined to establish a traditional banking
2 relationship.

3 Section 208.6 of the proposed regulations
4 only recognizes two exceptions to the requirements
5 that federal payments be made by electronic funds
6 transfer into an account at an FDIC insured depository
7 institution. Travelers Express believes strongly that
8 state licensed money transmitters also be defined as
9 an authorized agent.

10 Treasury clearly recognizes that
11 nonfinancial institutions will have the opportunity to
12 partner with financial institutions in the delivery of
13 federal payments. Travelers Express commends the
14 department for recognition of this opportunity and for
15 acknowledgement of the development of this market.
16 Providing access to federal benefits to those who
17 favor or for whatever reason do not have a banking
18 relationship would be a natural extension of our
19 business.

20 However, Travelers Express believes that
21 direct participation of a state licensed money
22 transmitter in EFT 99 as a defined authorized agent is

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1 clearly warranted. As I mentioned earlier, licensed
2 money transmitters are subject to very strict
3 regulatory oversight, as well as to investment and
4 liquidity restrictions. Financial institutions who
5 partner with a licensed money transmitter will gain
6 access to a significantly extended branch network
7 reaching geographic areas where the unbanked are
8 located and reducing the number of waivers based on
9 geographic barriers.

10 Specifically defining licensed money
11 transmitters partnering with a financial institution
12 as an authorized agent would significantly expand the
13 competitive marketplace for providing access to
14 benefit recipients.

15 The Travelers Express retail locations
16 would, in fact, serve as an extended branch network
17 where a federal benefit recipient can open an account
18 with our financial institution partner. Such an
19 arrangement would permit an unbanked benefit recipient
20 to receive cash at the time of access to the funds.

21 Travelers Express recognizes the Treasury
22 Department's sensitivity to the issue of cost of

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1 access to benefits. Over 90 percent of our money
2 order business is to a significant extent generated by
3 individuals who do not have a bank account and who are
4 extremely price sensitive.

5 The average cost of a Travelers Express
6 money order is about 75 cents. While we have not yet
7 determined what the cost of this service would be, we
8 envision it to entail a monthly account maintenance
9 charge. Clearly disclosure, however, of charges both
10 in the application and at the place of access would be
11 mandatory.

12 Travelers Express urges Treasury to
13 recognize that the costs of compliance with Regulation
14 E will drive up the total cost of account maintenance
15 and access, and that less stringent alternatives for
16 ETA accounts should be considered.

17 In conclusion, Travelers Express fully
18 recognizes the difficulties of designing a framework
19 to accomplish the directives of the Debt Collection
20 Improvement Act of 1996, especially in light of the
21 diversity of benefit recipients both culturally and
22 socioeconomically. Allowing flexibility in the

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1 structuring of benefit accounts, while at the same
2 time requiring safety and soundness standards, will
3 encourage broader participation by benefit recipients
4 and will foster competition and innovation by service
5 providers.

6 The result will not only be the expected
7 savings to the federal government from the transition
8 to electronic delivery of benefit payments, but the
9 ultimate goal of efficient, inexpensive, secure, and
10 readily available access by benefit recipients.

11 Travelers Express is very pleased to have
12 had the opportunity to present our testimony at
13 today's public hearing. As always, we would be most
14 happy to meet with Department of Treasury
15 representatives at any time to discuss our comments or
16 the concerns of the industry.

17 Thank you.

18 MR. HAMMOND: Thank you very much, Mr.
19 Warfield.

20 Our next speaker this morning is Ms.
21 McCarthy.

22 MS. MCCARTHY: Good morning. Thank you.

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1 My name is Sue McCarthy. I'm the Vice
2 President of Member Services at the New York State
3 Credit Union League, and joining me today and sitting
4 behind me is Dennis Lewis, our Senior Vice President
5 of Business Operations. He's here so he might help
6 answer some questions that any of you have.

7 We are pleased to present on behalf of the
8 credit unions comments and concerns we share in
9 regards to the implementation of the Debt Collection
10 Improvement Act of 1996. The New York State Credit
11 Union League is the principal trade association for
12 over 650 state and federally chartered credit unions
13 throughout New York. A total of 1,700 credit unions
14 located in New York, Vermont, New Jersey, Connecticut,
15 Massachusetts, Rhode Island, and Delaware have access
16 to products and services provided through the New York
17 League's affiliated companies.

18 We would like to take this opportunity to
19 address the following issues.

20 First, education. We would like to insure
21 that any credit union wishing to participate in the
22 delivery of federal benefits has the opportunity to do

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1 so. We are urging that the Treasury view credit
2 unions as partners in a concerted effort to educate
3 the federal benefit recipient population regarding
4 direct deposit programs and other electronic access
5 devices available within the financial services
6 marketplace.

7 Our concerns are insuring credit union
8 members and potential credit union members understand
9 that they can utilize their local credit union to
10 receive federal payments through direct deposit and
11 have the credit union provide them access to their
12 funds in a variety of formats.

13 Credit unions offer products and services
14 based on member preference as they are financial
15 cooperatives and owned by their member base, insuring
16 members access to their funds in the form that they
17 desire.

18 We request that the Treasury not place
19 restrictions on how credit union members access their
20 federal payments because each membership needs are
21 unique and should be designed by each credit union.

22 The New York League supports the

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1 Treasury's efforts to bring into the financial
2 services mainstream an estimated ten million Americans
3 who receive federal benefits, but do not have an
4 account at a credit union or other financial
5 institution. We urge the Treasury to work with the
6 New York League to draw upon the resources and the
7 strong community connections credit unions have
8 developed in order to raise awareness and market the
9 EFT program effectively.

10 We would welcome the opportunity to work
11 with the Treasury in designing a marketing and public
12 relations campaign to inform consumers about direct
13 deposit programs available.

14 Safety. The New York League agrees with
15 Treasury's proposed requirement that all federal
16 payments be made to an account established at an
17 insured financial institution. All state and federal
18 credit unions in New York are required to carry
19 federal deposit insurance under the auspices of the
20 NCUA and the National Credit Union Share Insurance
21 Fund.

22 Credit unions proudly maintain a healthy

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1 insurance fund to protect their members' deposits with
2 an equity to insured savings ratio in excess of \$1.30.

3 We support the Treasury's desire to
4 provide a safe destination for these funds, as
5 historically you have indicated federal benefit
6 recipients have fallen victim to countless forgers,
7 thieves, and counterfeiters, costing the government
8 nearly \$100 million annually.

9 The demographic breakdown of the payment
10 pool indicated 90 percent of the recipients are SSA
11 and SSI payments. Of those 63 percent are over the
12 age of 65.

13 Credit unions historically have been
14 extremely successful in promoting direct deposit
15 services to their membership to insure safe delivery
16 of their federal payments, with over 65 percent of the
17 member households nationally utilizing direct deposit
18 services, and the usage increasing to more than 85
19 percent with members over the age of 65.

20 Credit union continually strive to educate
21 their members on the benefits associated with
22 utilizing direct deposit services and electronic

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1 access devices.

2 Low cost service. Credit unions pride
3 themselves on providing their members with low cost
4 financial services. As not-for-profit cooperative
5 financial institutions, credit unions provide low or
6 no cost service to over 70 million Americans,
7 including 3.3 million New Yorkers.

8 The cost to join a credit union by opening
9 a regular share account, aside from the par value of
10 a share, is nothing in 54 percent of the credit unions
11 across the country, and in 45 percent of the credit
12 unions it is a mere one-time charge of \$2.15, on
13 average, with the most common fee being charged simply
14 \$1.

15 The minimum deposit requirement or the par
16 value of what we call a regular share account is
17 traditionally \$5 and is set forth in each credit
18 union's bylaws.

19 The low cost of membership makes credit
20 unions an attractive financial service provider to
21 potential members everywhere. As financial
22 cooperatives, credit unions may only provide service

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1 to members, and an individual may not have an account
2 at a credit union unless he or she is a member. The
3 only exception to this is in the case of our low
4 income designated community development credit unions.
5 These credit unions can accept a small amount of non-
6 member deposits, but have regulatory restrictions
7 capping deposits at 20 percent of total shares.

8 The New York State Credit Union League
9 Board is comprised of 25 credit union CEOs from around
10 the state and is the governing body of the New York
11 State Credit Union League and affiliated companies.
12 The board has taken an official position as follows:
13 that the New York State Credit Union League opposes
14 the imposition of ATM surcharges as an excessive and
15 unnecessary charge placed on credit union members' and
16 other consumers' access to the convenient and already
17 cost effective service delivery provided by ATMs.

18 ATM programs within credit unions usually
19 incorporate several free transactions and then a
20 minimal charge thereafter. In the survey conducted by
21 Booz, Allen, Hamilton & Shugoff Research on behalf of
22 the Financial Management Service, two of the primary

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1 reasons consumers gave for not having an account at a
2 financial institution were, one, that they did not
3 have enough money and, two, that the fees were too
4 high.

5 Credit union regular share accounts are an
6 extremely low cost alternative for these individuals.
7 With the board of the credit union being comprised of
8 credit union members, cost efficient service is always
9 a primary goal.

10 Capacity to serve our members. In order
11 to provide their members with low cost financial
12 services, the credit union system has designed payment
13 systems to support the needs of credit unions
14 regardless of size and financial resources. Today we
15 will hear testimony from Empire Corporate Federal
16 Credit Union, our corporate credit union, that
17 supports a payment system infrastructure that services
18 the needs of credit unions in parts of the Northeast.

19 Our credit unions support the corporate
20 credit union network and rely heavily on the payment
21 systems they provide to credit unions. These systems
22 allow credit unions to provide their membership access

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1 to electronic services no matter what their size.

2 When a credit union grows over time
3 through the support of their volunteer boards, they
4 continue to support the system. This growth process
5 takes years, as credit unions do not have the ability
6 to infuse capital through stock offerings and rely on
7 attracting deposits of their members and building
8 capital from excess earnings.

9 Our smallest credit union in New York has
10 \$37,734 in assets and has the ability to receive
11 federal recurring payments if their membership desires
12 this service through their corporate credit union.
13 Our smallest credit unions are usually born out of
14 need in areas where financial services are either
15 difficult or too expensive to obtain. These credit
16 unions reach a segment of the population that other
17 institutions may not.

18 We as a movement have designed products
19 and services to support all our credit unions and to
20 help them in fulfilling their mission. For example,
21 one of the areas Mr. Lewis manages is our ATM network
22 CU-24. CU-24 has programs for the credit unions of

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1 all sizes and serves New York, New Jersey,
2 Massachusetts, Rhode Island, New Hampshire, and
3 Delaware.

4 Their agency program is specifically
5 designed to make ATM service affordable for small
6 credit unions. The agency programs offer turnkey
7 support, allowing credit unions to have all of their
8 back office support done for them.

9 CU-24 has contractual relationships with
10 grocery store chains in New York and is currently
11 working to expand these relationships across the
12 region.

13 In the survey results done by the FMS, 30
14 percent of the federal payment recipients surveyed via
15 the telephone indicated that they used the grocery
16 store to actually cash their checks. This was second
17 only to the utilization of financial institutions.

18 The ability to have ATM and point of sale
19 services only enhances the credit union's ability to
20 service their members when they desire electronic
21 delivery of their funds. Allowing individual credit
22 unions and corporate credit unions to compete in the

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1 bidding process for federal agency status will
2 significantly enhance their ability to service their
3 membership and potentially meet segments of the
4 population that others cannot.

5 Our philosophy. The philosophy of people
6 helping people is the foundation upon which the credit
7 union system was built. Credit unions provide
8 products and services their members need at a cost
9 that they can afford. We wish to preserve the
10 consumer's right to choose the financial institution,
11 as well as the delivery system that best services
12 their needs.

13 We understand the challenges the Treasury
14 faces in implementing the Debt Collection Act of 1996.
15 We appreciate your effort to reduce the cost of
16 processing federal payments, while taking into
17 consideration the needs of these recipients.

18 We will support any effort that Treasury
19 makes to involve credit unions and their supporting
20 organizations within any phase of the plan to
21 accomplish their mission. We have at our fingertips
22 a wealth of information, surveys, support systems, and

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1 credit union professionals who work in the spirit of
2 cooperation to provide our members and the American
3 consumers the information that they need so that they
4 can exercise their freedom of choice.

5 In closing, we thank you for providing us
6 the opportunity to share our comments with you and
7 look forward to working with you in the future to
8 provide federal government benefits electronically.

9 Thanks.

10 MR. HAMMOND: Thank you, Ms. McCarthy.

11 Our next panelist this morning is Ms.
12 Dunay.

13 MS. DUNAY: Thank you.

14 I'm Lisa Dunay, Director of Quality
15 Assurance with Empire Corporate Federal Credit Union.

16 On behalf of Empire Corporate and our
17 member credit unions, I would like to thank the
18 Department of Treasury for allowing us the opportunity
19 to address the proposed ruling.

20 There are many questions and concerns
21 regarding the proposed ruling, especially with respect
22 to the effect on the unbanked and the role and

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1 responsibilities of financial institutions serving as
2 financial agents for electronic transfer accounts.

3 As many of these concerns have been
4 expressed by other members of the financial industry,
5 I would like to focus my comments on the issue of
6 electronic federal payments as it relates to Empire
7 Corporate Federal Credit Union. My comments are
8 intended to illustrate the strength of the credit
9 union industry in the payment systems arena and our
10 proven ability to efficiently provide low cost ACH
11 services to member credit unions for final
12 disbursement to the natural person.

13 Empire welcomes the opportunity to work
14 with the Treasury Department and our member credit
15 unions in an effort to automate federal payments.

16 Empire Corporate, federally chartered in
17 1977, is a \$2.1 billion financial institution serving
18 over 1,000 member credit unions primarily in the
19 States of New York, Rhode Island, and New Jersey.

20 Empire Corporate Federal Credit Union and
21 Rhode Island Corporate Credit Union merged in early
22 1996. Followed shortly thereafter, Empire and Garden

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1 State Corporate Central Credit Union merged in early
2 1997.

3 Empire is one of the largest and safest
4 corporate credit unions in the United States and is
5 placed among the highest rated financial institutions
6 nationwide.

7 Empire has 150 employees, staffing four
8 office locations. Headquarters are in Albany, New
9 York, with approximately 100 local employees. Branch
10 offices are also maintained in Floral Park, New York,
11 Warwick, Rhode Island, and Heightstown, New Jersey.

12 Corporate credit unions, as part of a
13 three tier support system called the Corporate Credit
14 Union Network, provide wholesale financial services to
15 member natural person credit unions. Such services
16 include investment, credit, payment, and correspondent
17 services.

18 The Corporate Credit Union Network
19 includes U.S. Central Credit Union, a financial
20 institution for corporate credit unions, and 37
21 corporates working in unison to serve the needs of
22 natural person credit unions nationwide.

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1 A corporate credit union is completely
2 owned and governed by its member credit unions. Much
3 like natural person credit unions, corporates are not-
4 for-profit cooperatives governed by a volunteer board
5 of directors comprised of member credit union
6 executives.

7 Empire has been providing payment services
8 to member credit unions since its inception in 1977.
9 Our experience in ACH processing has generated
10 particular interest in the management of federal
11 agency disbursements.

12 Empire is currently provide ACH services
13 to 355 member credit unions, processing approximately
14 350,000 ACH transactions a month. These ACH services
15 include fulfilling the role of receiving point,
16 sending point, and settlement agent for electronic
17 entries.

18 In addition to the operational
19 responsibilities, Empire also provides extensive
20 education and training regarding the ACH network, not
21 to rule compliance, risk management, and the policies
22 and procedures government Empire's ACH services for

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1 member credit unions.

2 Empire Corporate maintains a strong
3 relationship with the New York Automated Clearing
4 House, otherwise known as NYACH. Participation on the
5 NYACH Committee allows Empire to vote on proposed
6 NYACH rule changes and discuss issues relating to ACH
7 processing with our members, other members of the
8 financial industry.

9 Through joint efforts with NYACH, Empire
10 continually promotes the use of electronic payments in
11 the established ACH network. Empire's relationship
12 with NYACH has allowed member credit unions of all
13 sizes to accept ACH payments while they continue to
14 offer low cost services to their members.

15 As a receiving point, Empire retrieves
16 detailed files from NYACH. Detailed files are
17 delivered to participating credit unions for timely
18 posting to consumer accounts in one of several
19 delivery methods. Empire offers host-to-host
20 transmissions to a service bureau or directly to a
21 credit union with an in-house data processing system.
22 A software application is also available for those

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1 credit unions preferring to receive files on the PC
2 platform.

3 Fax transmissions are even available for
4 those credit unions with low electronic transaction
5 volume.

6 Advice files are also received from NYACH
7 and forwarded for posting of settlement to the credit
8 union's Empire account maintained on the Corporate
9 Credit Union Network data processing system. U.S.
10 Central Credit Union and the Corporate Credit Union
11 Network maintain an extensive automated settlement
12 system to facilitate the collection and disbursement
13 of funds required for various vendor relationships.

14 This automated settlement system is used
15 to posted the Federal Reserve Bank ACH settlement
16 transactions to the natural person credit unions'
17 corporate credit union account.

18 Files are also forwarded from Empire to
19 NYACH for return ACH transactions and other
20 origination entries on behalf of member credit unions,
21 as well as for internal operational efficiencies.

22 Empire is also a member of PACHS, a

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1 private sector automated clearing house exchange.
2 Though the use of the PACHS network, Empire realizes
3 increased opportunity to minimize cost and reduce
4 settlement risk.

5 Empire Corporate currently has three
6 accredited ACH professionals on staff. Empire takes
7 the knowledge base and experience of its employees
8 very seriously and strongly supports the ACH
9 accreditation program.

10 Empire Corporate has developed both the
11 systems and the staff necessary to provide
12 sophisticated ACH services to member credit unions.
13 Credit unions utilizing Empire's services avoid the
14 costs associated with direct connections to the
15 Federal Reserve Bank or other ACH operators. Empire
16 stands ready to assist member credit unions with
17 education, compliance, research, and with various
18 internal issues regarding their ACH operations.

19 The ACH operators also benefit from
20 Empire's ACH involvement through consolidation of
21 entries destined for credit unions, reducing the
22 number of endpoints that require maintenance and

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1 support.

2 Empire Corporate also provides ATM
3 services to member credit unions. These services
4 include a delivery system for the exchange of files
5 with ATM operators, termination administration, and
6 cash replenishment.

7 Empire Corporate supports the Debt
8 Collection Improvement Act of 1996 to convert federal
9 payments to electronic funds transfer. We feel that
10 credit unions can play an important role in providing
11 accounts for the unbanked and accepting electronic
12 transfers representing federal payments.

13 The corporate credit union structure is
14 prepared and anxious to assist the Department of
15 Treasury with the implementation of electronic
16 delivery for all payments. We sincerely believe that
17 the people helping people philosophy on which we are
18 founded, coupled with the operational and technical
19 strength of the Corporate Credit Union Network, makes
20 credit unions the ideal alternative to perform the
21 role of financial agent.

22 Credit unions by nature are service driven

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1 organizations. The high degree of personal service
2 provided by credit unions makes them best suited to
3 serve individuals who do not currently maintain an
4 account with another financial institution.

5 The three tier structure of the credit
6 union industry is designed to support the processing
7 of large volumes of transactions in an efficient and
8 cost effective manner for credit unions of all sizes.

9 Empire appreciates the opportunity to
10 testify at this public hearing in support of credit
11 union involvement the proposed ruling.

12 Thank you.

13 MR. HAMMOND: Thank you very much, Ms.
14 Dunay.

15 Our final panelist this morning is Mr.
16 Mirabal.

17 MR. MIRABAL: Good morning. Thank you.

18 Please let me apologize for being a little
19 late this morning. I relied on the obviously
20 unreliable Number 5 train to get me here.

21 (Laughter.)

22 MR. MIRABAL: I got stuck in the tunnel

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1 for half an hour, but that's electronics.

2 MR. HAMMOND: No problem. We're glad
3 you're with us this morning.

4 MR. MIRABAL: Thank you.

5 On behalf of the National Puerto Rican
6 Coalition, NPRC, I would like to thank the Department
7 of the Treasury for giving me this opportunity to
8 testify this morning.

9 I'd like to also submit a written
10 statement which I'll summarize today.

11 NPRC's mission is to provide for the
12 social, economic, and political well-being of almost
13 seven million Puerto Rican United States citizens on
14 the mainland and the island of Puerto Rico. We have
15 a special focus on the needs of the most vulnerable of
16 our community, and we have been providing a voice in
17 Washington, D.C. for these concerns for over 20 years
18 now.

19 We are concerned about the effect that the
20 EFT system may have on our community because many
21 Puerto Ricans and other Hispanics receive some type of
22 government payment that will be converted to EFT.

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1 According to a 1990 Census Bureau study, for persons
2 15 years of age and over, there were 1.8 million
3 Hispanics receiving Social Security and 750,000
4 receiving SSI. Ninety-five thousand Hispanics were
5 receiving at least one form of veterans' benefits, and
6 Puerto Ricans on the mainland and the islands are
7 major stakeholders in EFT, as well. There were
8 317,000 recipients of Social Security in Puerto Rico
9 alone, and there were also 138,000 civilian veterans,
10 of which 31,000 are 65 years of age and over.

11 In addition, 117,000 Puerto Ricans here
12 receive Social Security, and a significant portion
13 receives SSI.

14 NPRC support technological advancement and
15 recognizes the need for this change, but we are also
16 concerned about the impact this change could have on
17 the Puerto Rican and Hispanic community. There are
18 unique social, economic and demographic factors that
19 affect the Puerto Rican community more than others,
20 including poverty, limited English proficiency,
21 limited education, physical impairing health problems,
22 and single motherhood.

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1 These problems also make many members of
2 our community more vulnerable to possible third party
3 abuses of EFT payments.

4 To minimize potentially negative effects,
5 NPRC requests that the Department of the Treasury
6 consider the following major recommendations and
7 concerns in implementing this new system.

8 The financial system's inability to
9 address the needs of Hispanics;

10 The potential costs incurred by recipients
11 through bank fees;

12 Waivers for vulnerable populations,
13 including individuals with limited English
14 proficiency, limited education, physical impairments,
15 and single parents with children;

16 The lack of culturally sensitive outreach;

17 The threat of EFTs developing into a more
18 restrictive system, such as one that requires a debit
19 card to access your funds.

20 Recognizing that financial institutions
21 will be major stakeholders in the implementation of
22 EFT, the future actions of Treasury on the issues

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1 regulating EFT services delivered by banks, financial
2 institutions, credit unions, check cashing, and money
3 transmitters are critical to the well-being of
4 millions of Americans.

5 There is a public policy issue here which
6 Treasury shoulders uniquely and has the principal
7 responsibility of protecting the rights of the most
8 vulnerable of our society.

9 As EFT is being implemented, one of NPRC's
10 primary concerns is in the inability of banks to do
11 business fairly with Puerto Rican and Hispanics and
12 other minorities. The most recent Home Mortgage
13 Disclosure Act data found that within each income
14 group for every loan type, Hispanics were less likely
15 to receive a loan than non-minority applicants of the
16 same income.

17 The Federal Reserve Board study in 1991
18 concluded that Hispanics are significantly more likely
19 to be turned down for home mortgages regardless of
20 income, and nationally 21 percent of Hispanic
21 applicants were denied conventional home mortgages in
22 1990, compared to 14 percent for non-Hispanic white

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1 applicants.

2 Recently in New York City, the home to
3 nearly one-third of all mainland Puerto Ricans, over
4 one million people, Congressman Charles Schumer
5 conducted an analysis that demonstrated that the
6 continuing failure of banks has not decreased; that
7 they are failing to address the lending needs of
8 African American and Hispanic mortgage applicants.

9 In 1996, 18 percent of Hispanics were
10 rejected for a mortgage compared to 11 percent for
11 non-minority New Yorkers. Rejection rates were even
12 high for individuals with higher incomes.

13 Despite existing laws, such as the Home
14 Mortgage Disclosure Act and the Community Reinvestment
15 Act, which are designed to protect these populations,
16 there clearly is no evidence to demonstrate that banks
17 have a working system in place that will address the
18 needs of the most poorest minorities any better now
19 than they have done in the past.

20 NPRC recommends because of this that a
21 commission be established to review the readiness of
22 banks to serve this population and the possibility of

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1 expanding the use of credit unions. The commission
2 should be institutionalized and be formed immediately
3 to help monitor implementation and the service
4 delivery of EFT.

5 In addition, banks should be barred from
6 point of sale marketing and the selling of customer
7 lists for these new clients.

8 Bank fees represent a hardship for Puerto
9 Ricans and other Hispanic groups and any poor who
10 experience high levels of poverty and need small
11 amounts of funds that are delivered to them by this
12 new system.

13 In 1991, 36 percent of all Puerto Rican
14 families were living in poverty. The 1990 Census data
15 show Puerto Rican children had the unfortunate
16 distinction of being the poorest in the nation, a
17 child poverty rate of 58 percent here in the States
18 and of 67 percent on the island.

19 Similarly, 24 percent of all the Hispanic
20 population was living in and at the poverty level.
21 The Treasury's provision of a bank account for Puerto
22 Ricans who do not have access right now, the unbanked,

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1 is helpful, providing that they do not incur new costs
2 in receiving their funds.

3 Those who are unfamiliar with the banking
4 systems may not even be aware of the costs that they
5 will incur. Most of our members rely on their income
6 and will not be able to afford these fees, however
7 small they are.

8 And, in addition, those who are unaware of
9 their banking options may out of fear sign up for an
10 account that charges exorbitant fees unknowingly.
11 Bank accounts for these individuals should be free, we
12 believe.

13 The Treasury should also consider setting
14 up accounts for savings for these individuals. Such
15 free accounts will go a long way, we believe, in
16 preventing banks from actually looking for ways to
17 increase or assess fees and will protect low income
18 populations from being subjected to this form of
19 economic hardship.

20 The implementation of the EFT will cause
21 a problem for many Puerto Ricans on the mainland and
22 the island as well because of limited access to banks.

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1 Most Puerto Ricans on the mainland live in inner
2 cities, often in low income neighborhoods where banks
3 have closed branches or do not elect to do business.

4 On the island, a substantial portion of
5 the population lives in rural areas with even further
6 limited access to banks.

7 Therefore, NPRC supports the Treasury's
8 decision to provide waivers to individuals who would
9 experience hardship in accessing bank accounts due to
10 geographical barriers.

11 Limited English proficiency is another
12 potential barrier for using EFT to receive federal
13 payments. It was assumed by Treasury that individuals
14 with limited English proficiency could also experience
15 difficulties receiving a check. Therefore, they would
16 be unaffected by EFT. However, many of these
17 individuals already are accustomed to checks and have
18 no difficulty operating in a paper based society, but
19 the EFT represents something very new and very
20 different.

21 For those who have both difficulties with
22 English and limited education, the EFT may pose a

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1 significant barrier to receiving benefits. NPRC
2 requests that Treasury reverse its decision not to
3 provide a waiver for these individuals with limited
4 English proficiency.

5 That's my beep.

6 Individuals with limited education are
7 likely to be negatively impacted by EFT conversion of
8 payments as well. Insufficient knowledge of even
9 basic technology may prevent them from understanding
10 how to access their payments. Most notable is the
11 significant education gap between the adult and the
12 young in the Puerto Rican community. Seniors are
13 often the least educated and most likely to have
14 cultural aversions to certain types of technology,
15 including the EFT.

16 NPRC requests that Treasury reverse its
17 decision not to provide a waiver for individuals with
18 limited education, particularly the Hispanic elderly.

19 Puerto Rican elderly with physical
20 impairments are the most vulnerable to third party
21 abuses through the EFT system. Our communities suffer
22 disproportionately from chronic illness due to

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1 poverty, substandard living conditions, and hazardous
2 environmental and workplace conditions.

3 NPRC is also concerned that intermediaries
4 who serve the elderly and the disabled may also be
5 assisting them with EFT bank transactions. There are
6 no protections against these abuses that could take
7 place as a result of an intermediary having access to
8 their bank accounts.

9 In the event that an elderly individual is
10 victimized by an intermediary, they must be fully
11 protected against the unfortunate losses.

12 There should also be waivers for
13 individuals who have physical impairments and are
14 deemed legally disabled.

15 Family composition must be taken into
16 consideration during the waiver process. The 1990
17 Census data revealed that 32 percent of Puerto Rican
18 households are headed by a female. For single
19 parents, there is a high level of stress on the family
20 as it is. In addition, many poor women live in low
21 income and often high crime neighborhoods where bank
22 machines do not have a sufficient level of protection

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1 for women living in areas where there is a high risk
2 of crime.

3 We recommend that a special waiver
4 category be established for single parents with
5 children.

6 Culturally sensitive outreach and
7 education is also important. Cultural aversions to
8 certain types of technology and the mistrust of
9 financial institutions, in particular, are both
10 barriers for poor Puerto Ricans learning and using the
11 EFT system. Cultural aversions to this type of
12 technology, combined with language difficulties, pose
13 a barrier to using the system and receiving their
14 benefits.

15 It is also important to note that many of
16 these communities may be difficult to educate and
17 outreach due to both cultural and language
18 differences. Treasury should provide Latino
19 community-based organizations and credit unions with
20 funds to provide culturally relevant outreach to
21 Puerto Rican and the Hispanic community.

22 Treasury should also conduct hearings in

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1 low income inner cities and in Puerto Rico.

2 Lastly, I would like to take this
3 opportunity to add that we would not like to see this
4 program evolve into a system where the EFT access card
5 is used like a debit card, except that only by vendors
6 who have EFT access, thereby limiting where
7 individuals can make purchases and use their funds.

8 The New York Welfare Benefits Plan, for
9 example, may force recipients to use debit cards.
10 Under such a plan, recipients would not get the
11 assistance they need. Many currently shop at thrift
12 stores, yard sales, and other inexpensive markets that
13 are not equipped to take any type of electronic
14 payment.

15 Similarly, many merchants in low income
16 neighborhoods would also be at a disadvantage. NPRC
17 requests that the Treasury does not consider the
18 implementation of a more restrictive system in the
19 future.

20 I would like to thank you for providing me
21 this opportunity to submit our comments on the EFT
22 system, and I would like to offer our assistance as a

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1 national organization representing the needs of seven
2 million Puerto Rican U.S. citizens in any way possible
3 to help smooth the implementation and protect our
4 community from the abuses and concerns that we have
5 listed here today.

6 Thank you.

7 MR. HAMMOND: Thank you very much, Mr.
8 Mirabal.

9 I'd like to thank all of the panelists
10 this morning for their remarks. It was very helpful
11 as part of the process.

12 In order to start the process up here, I
13 have a couple of questions that I'd like to pose. The
14 first question would be for Mr. Coyle and Mr.
15 Warfield.

16 I noticed that in each of your testimonies
17 you mentioned a fairly substantial volume of payment
18 services related to utility payments, I think,
19 primarily that your organizations made. I wondered if
20 you could elaborate just a little bit on how that
21 service is offered or what that service comprises.

22 MR. COYLE: I can speak for Western

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1 Union's, although I'm sure that Travelers Express is
2 fairly similar.

3 Western Union currently has a network of
4 agents in New York City, nationwide that contract with
5 utilities to accept utility bill payments at Western
6 Union agent locations. We contract with the utility
7 to take a ConEd bill or a cable bill or whatever.
8 Those payments are held in trust pending receipt by
9 the utility.

10 One of the notable features of them is
11 immediately upon delivery of the funds to us as agent
12 for the utility, the utility bill is deemed paid. We
13 handle a huge volume in terms of dollars of that money
14 every year.

15 MR. HAMMOND: I realize it's offered
16 through an agent location. Is that offered because of
17 the affiliation with Western Union or is it a service
18 that the agent itself offers directly?

19 MR. COYLE: The agent itself elects to
20 offer that service in addition to other Western Union
21 services it may offer. So it is not a service that's
22 offered at all Western Union agent locations for a

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1 number of reasons.

2 We're very selective in choosing agents
3 that we think have the fiscal management capabilities
4 to handle that volume of money, handle the trust fund
5 issues and things like that because it's purely money
6 coming in rather than a money in/money out situation
7 where we can net settle with our agent and limit the
8 credit risk exposure.

9 The important thing is that we handle the
10 money on behalf of the utility and have got a perfect
11 record in getting it to the utilities, as well.

12 MR. WARFIELD: As I mentioned in my
13 comments, Travelers Express also has a vast retail
14 base of over 44,000 locations. Our primary product is
15 a money order product that's used by typically the
16 cash based segment of the society to pay bills and
17 other financial commitments.

18 We, too, have implemented in many of our
19 retail locations the ability for these retailers to
20 accept bill payments on behalf of the consumer. The
21 money comes to Travelers Express, and then we remit
22 payment to the utility or to the designated payee.

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1 MS. DISMAN: Mr. Mirabal, when you
2 mentioned Social Security checks in Puerto Rico, I
3 have jurisdiction over the Virgin Islands, as well, in
4 delivering Social Security and in the large number of
5 Social Security offices.

6 I wonder if you can give me your
7 suggestions for Puerto Rico itself in reaching the
8 elderly population.

9 MR. MIRABAL: Well, they actually would be
10 the same for reaching the Hispanic elderly population
11 here in many of our cities. I think what many do not
12 understand today is that half of the population is
13 living in almost 24 states here in the United States.
14 The problem with Puerto Rican elderly for the most
15 part is that at least half of the 3.7 million people
16 live in rural areas, having a very low level of
17 education, and have almost no proficiency in English
18 on the island of Puerto Rico.

19 The numbers get a little better here in
20 the United States, but in both sectors, on the island
21 and here in the States throughout our communities,
22 there is a fairly big network of nonprofit, community-

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1 based, service providing organizations.

2 In Puerto Rico alone, the last number of
3 registered nonprofits on the island exceeded over 350
4 nonprofits in very many different areas, and many of
5 them do assist the elderly and, in particular, elderly
6 veterans who are on the island.

7 Puerto Rico happens to have the highest
8 percentage by ethnic population of those members of
9 our community who have participated in military
10 service, and therefore, the number of veterans is high
11 on the island, and they, of course, are World War II
12 and Korean and Vietnam veterans at this point, and
13 fairly elderly.

14 They can reached, but not through many of
15 the established government systems, and I believe you
16 do need to consider seriously the community based
17 credit unions, as well as nonprofit community
18 organizations, because of the fact that culturally
19 there is an aversion to financial institutions.

20 Our organization does an enormous amount
21 of work in banking, and one thing that continues to
22 prevail as of today in the Hispanic and, in

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1 particular, the Puerto Rican community is mattress
2 money, where funds of incredible amounts are found in
3 closets and in jars and are maintained there for fear
4 of, you know, the evaporation of their funds if they
5 place them in an institution.

6 So institutions, at least the kind we work
7 with every day, don't necessarily get to that
8 community and are probably the least capable of
9 reaching them.

10 MS. DISMAN: Thank you.

11 MR. HAMMOND: Mr. Mirabal, I had a
12 question related to your comments on the debit card
13 based system, and I just wanted to clarify in my own
14 mind. When you speak of a debit card, are you talking
15 about a delivery device that can only be used where
16 there would be, say, for example, a point of sale type
17 of terminal, or would your comments include a card
18 which could also access cash either at a point of
19 sale, as well as at an ATM?

20 MR. MIRABAL: Most particularly ATM,
21 larger network of cards. For those individuals who
22 are able to work with that system, as I said before,

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1 we believe that that is a positive step forward.

2 However, where fees may be involved in
3 that individual going to an ATM machine, which is not
4 their own banking entity, fees are often as high as
5 \$2.50, and we do not believe that those costs should
6 be passed along to the recipients as part of
7 technology and advancement.

8 We can't make a decision for Treasury, but
9 certainly one way to move toward allowing individuals
10 to access their funds that way is to protect them from
11 those fees by regulatory provisions or by making some
12 specific additional funds available to cover those
13 costs.

14 Certainly limiting where they can access
15 their funds is not a solution to this problem because
16 of the lack of these kinds of machines in our
17 communities, and in many cases the infeasibility of
18 their getting to these machines.

19 There are very few poor who own
20 automobiles, who can travel distances to these
21 machines if they need funds in an emergency, and in
22 particular, single parents, who are a very large

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1 component of our population, may have difficulty even
2 leaving the home, and that will create other problems
3 for them.

4 So we believe that the most simplest way
5 of dealing with many of the particular issues is to
6 consider waivers. However, where the Treasury
7 believes that cards to access funds may be an
8 additional feature of this program in the future, we
9 do not recommend the issuance of debit card type
10 systems for accessing their funds.

11 MR. HAMMOND: I have one other question
12 for the panelists this morning. With regard to the
13 credit union networks, I know you mentioned the
14 capability of an ATM linkage through I believe it was
15 the New York League. I was wondering if you could
16 explain how broad that may be within the region or how
17 many institutions and how many points of access that
18 may provide.

19 MS. MCCARTHY: Within specifically the
20 region here or the country?

21 Dennis, did you want to talk about that?

22 MR. LEWIS: Sure. If I talk loud,

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1 everybody can hear me.

2 Today there's 120 credit unions in New
3 York State that offer that service to approximately
4 half a million members, and there are approximately
5 500 ATM locations today across the State of New York
6 where that access can take place, as well as probably
7 200 merchant outlets where that service can be
8 utilized at the point of sale.

9 MR. HAMMOND: Thank you very much.

10 MR. STAPLES: For Mr. Mirabal, the
11 proposed reg. provides for a financial need waiver for
12 the unbanked. Are you familiar with that provision
13 and have you given thought to how that would apply?

14 MR. MIRABAL: Well, I'm not completely
15 familiar with that provision. No, I'm not. I'm more
16 familiar with the needs of the unbanked, and you know,
17 if you have a specific question.

18 MR. STAPLES: Well, I would just point out
19 that that waiver also is there in addition to the
20 geographic waiver that was mentioned earlier. There's
21 a financial need waiver specifically for the unbanked,
22 and as was pointed out earlier today, these waivers

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1 will be self-certified. So there is an avenue there
2 for the unbanked to request a waiver.

3 MR. MIRABAL: Can I just -- not being
4 completely familiar with what the definition of "self-
5 certified" means, could you explain that?

6 MR. HAMMOND: Self-certification really
7 means, as far as the drafting of the regulation, that
8 the waivers -- this applies to all the geographic,
9 physical limitations, as well -- that it's based on a
10 determination of the individual recipient with no
11 other documentation or verification required. So, in
12 essence, it's a self-assessment.

13 And so what may be a financial hardship
14 for one may not be viewed as a financial hardship by
15 another individual even if they're in identical
16 circumstances, but I think as Mr. Hawke explained
17 earlier this morning, we feel that the more user
18 friendly the waiver policy is, the more broad appeal
19 the regulation has.

20 MR. MIRABAL: Well, then it would not be
21 inconsistent to allowing a self-certified waiver for
22 single parents with children?

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1 MR. HAMMOND: For example --

2 MR. MIRABAL: Or Hispanic elderly with
3 limited English proficiency which are not now
4 components of those?

5 MR. HAMMOND: Yeah, I think certainly the
6 question of literacy and language, I think, would be
7 different than the circumstance of a single parent,
8 where you might then look in a single parent situation
9 as to whether or not the geographic, physical or the
10 financial waiver was more appropriate to that
11 circumstance, as opposed to just dealing with a waiver
12 based on household status.

13 Frank, I believe you --

14 MR. SULLIVAN: Mr. Mirabal, I have one
15 question. So many of the issues you raise were
16 similar to the issues raised this morning by Ms. Rice.
17 As a program agency, we're really interested in making
18 sure we get the payments, insuring that we get the
19 payments safely to our beneficiaries, and while we
20 want to make sure that happens with those that are
21 unbanked, we also want to make sure that we get those
22 that have bank accounts and make sure they receive

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1 their payments safely.

2 Most of your comments concentrate really
3 on the unbanked. I mean, are you supportive of the
4 effort and are you willing to help us on promoting the
5 effort for those that do have bank accounts?

6 MR. MIRABAL: Yes. I think in my comments
7 I said we support the provision of an account for
8 Puerto Ricans and Hispanics who do not currently have
9 them. What we are concerned about are the number
10 others that may have difficulties in dealing with that
11 new system.

12 At last count, 51 percent of all working
13 Puerto Rican families were working poor. They were
14 working, but at the poverty level. It is the highest
15 across the board number of persons in poverty in any
16 ethnic group, yet they are working.

17 Similarly, on technology, only one in five
18 Puerto Rican families is now interacting with the
19 global technological system, and those families are
20 the youngest of our community, not those elderly or
21 other persons who might be more likely to be in this
22 group of population that receive benefits through this

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1 new system.

2 So we're concerned about the residual
3 number of people who are unbanked for those social,
4 demographic reasons more particularly than we are for
5 those who can function in that area, and it is not
6 meant for me here today to give you the impression
7 that we are not supportive of the system, and we are
8 certainly prepared to help you implement that in a
9 most reasonable and user friendly manner that we can.

10 MR. SULLIVAN: That's appreciated.

11 PARTICIPANT: I beg to make a statement.

12 This meeting was so poorly organized and
13 advertised. My name is Andy Bowen, and at present I
14 am the President of Statewide Senior (inaudible).

15 The people here represent organizations.
16 They do not represent the people that you need to talk
17 to. That is, this is the wrong audience entirely to
18 hear people's expression.

19 MR. HAMMOND: I want to thank --

20 PARTICIPANT: I only found out about it
21 Saturday.

22 MR. HAMMOND: Well, I want to thank you

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1 for your attendance, and I appreciate your interest.
2 If you'd like to make a brief statement this
3 afternoon, as well, we'd be more than happy to
4 accommodate you on one of the panels.

5 PARTICIPANT: We have a speaker on there,
6 but I mean, when you're getting into with Mr. Mirabal,
7 you needed to have another meeting.

8 I have no objections to this, but you need
9 another meeting that is more widely publicized so that
10 real grassroots people, not the organizational
11 representatives, will have a chance to look at you and
12 hear what you're saying and know what's going on.

13 (Applause.)

14 MR. HAMMOND: Thank you. I appreciate
15 your comments.

16 If there are no other questions, if there
17 are no other questions for this panel, I'd like to
18 thank them again for their comments this morning and
19 their remarks. We appreciate your participation.

20 Based on the hour, I think that our best
21 course of events would be to recess for approximately
22 45 minutes. If we could reconvene at 1:15 and proceed

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1 with Panel No. 3, that would be great.

2 Thank you very much.

3 (Whereupon, as 12:30 p.m., the public
4 meeting was recessed for lunch, to reconvene at 1:15
5 p.m., the same day.)

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1 A-F-T-E-R-N-O-O-N S-E-S-S-I-O-N

2 MR. HAMMOND: Good afternoon. I realize
3 that not everybody is back from lunch yet, but I think
4 all of our panelists are back, and we are anxious to
5 hear what everyone has to say, and so in the sake of
6 moving forward, why don't we begin?

7 Our first witness this afternoon is Gene
8 Barrett, and he is the VOTE Regional Coordinator for
9 the American Association of Retired Persons.

10 MR. BARRETT: Good afternoon, members of
11 the panel and members of the audience as well.

12 I wish to thank you on behalf of the
13 American Association of Retired Persons for having me
14 here. My name is Gene Barrett, and I'm the AARP VOTE
15 Regional Coordinator in New York City. I shall
16 present our views regarding the U.S. Department of
17 Treasury's proposed regulations to implement EFT 99.

18 Today I want to comment on hardship
19 waivers. Hardship waivers are essential to assuring
20 that many federal benefit recipients will not bear
21 additional costs or burdens as a result of the
22 requirement that federal benefits be received by

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1 electronic funds transfer.

2 While AARP recognizes that EFT can enhance
3 banking convenience and safety, the association did
4 not favor mandating EFT for all recipients of federal
5 payments because it could impose undue hardships on
6 many.

7 AARP has a major interest in this mandate
8 because it has significant impact on older persons.
9 We are particular concerned about the adequacy of
10 provisions to, number one, assist Social Security and
11 SSI beneficiaries who currently receive their benefits
12 by check to obtain waivers or sign up for direct
13 deposit.

14 Two, protect recipients from paying
15 excessive fees and charges to obtain their benefits.

16 And, finally, to inform and educate the
17 public regarding their requirements and workings of
18 EFT 99.

19 AARP is pleased to see that self-
20 certifying waivers for physical disability, geographic
21 barriers, and financial hardship have been
22 incorporated into the proposed rule. However, the

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1 association was disappointed by the Treasury's
2 decision to deny hardship waivers based on mental
3 disability or low literacy. We strong urge the
4 Treasury to reverse this decision.

5 Given the vulnerability of recipients who
6 could be adversely affected by these provisions,
7 especially older persons, it is essential that the
8 hardship waiver provisions have broad application and
9 be widely publicized.

10 A report prepared for Treasury indicates
11 that most check recipients are aware of the advantages
12 of direct deposition. The reasons why they may prefer
13 checks vary and depend on individual circumstances.

14 The major concerns of recipients about
15 direct deposit include uncertainty regarding when a
16 payment will arrive, problems accessing money if the
17 account is frozen or under dispute or such as in the
18 case of a divorce and the potential difficulty of
19 resolving a problem if a payment does not arrive on
20 schedule.

21 Also, many older check recipients prefer
22 a tangible payment that they can personally manage,

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1 while others dislike the idea of writing checks or
2 using computers to obtain cash.

3 My own mother is a case in point. Now, my
4 father died when I was quite young, only six years
5 old. So my mother began receiving survivor benefits
6 from Social Security for my sister and myself at a
7 relatively early age. Since my mother had to work,
8 each month it was my job to cash the check at the A&P.
9 At that time the local A&P was just a corner grocery.
10 It wasn't a supermarket. The manager would cash the
11 check, fill my mother's grocery order, and put the
12 change in a small bag inside the larger grocery bag,
13 and I'd tote it on home.

14 Many years later after my mother retired,
15 I was grown, of course, and she was receiving Social
16 Security on her own. She still cashed her check at
17 the local A&P. Only this time it was a supermarket.

18 In many ways she was a sophisticated
19 woman, but she never had a checking account to my
20 knowledge. She was comfortable with the envelop
21 system that she developed over the years for paying
22 her bills, and for her it worked. Evidently she

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1 wasn't alone.

2 A plurality, 48 percent compared to 28
3 percent, of all federal recipients in the Treasury
4 study object to mandatory EFT. Despite the benefits
5 that may result from electronic funds transfer, a
6 considerable number of federal beneficiary recipients
7 will still endure a hardship if they are required to
8 receive their payments this way. Besides those in
9 isolated locations or those with impaired mobility or
10 a diminished capacity to understand EFTs, others
11 affected include those confused by debit cards or
12 other electronic technology and those fearful or
13 mistrustful of financial institutions.

14 These circumstances require a waiver
15 policy that has broad application and can respond
16 quickly and effectively to the very individual needs
17 of federal benefit recipients.

18 I thank you, members of the federal panel,
19 for sharing our concerns, and we look forward to
20 working with you to answer the questions that have
21 been raised here today.

22 MR. HAMMOND: I want to thank you, Mr.

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1 Barrett for your remarks. I appreciate your
2 participation and your patience today with the
3 proceedings.

4 Our next panelist this morning is New York
5 State Senator Franz Leichter, and, Senator, if you
6 could just wait one moment while we get your
7 microphone, the sound doesn't carry very well to the
8 back of the room without it.

9 MR. LEICHTER: I am New York State Senator
10 Franz Leichter. I represent parts of the West Side of
11 Manhattan, and my district runs all the way into the
12 northwest Bronx, including Riverdale and Vancorklin.

13 I've been a member of the senate for some
14 years and serve on the Committee on Banks. I've
15 performed numerous studies on how banks service
16 consumers, and I produce an annual consumer guide to
17 banks.

18 Let me thank you for being here, for
19 holding this hearing. It's certainly an important
20 issue. I think you've gathered, as I look around at
21 my fellow panelists, people who I think have a real
22 contribution to make in suggesting ways in which EFT

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1 can be made workable for the public, and I trust and
2 I hope very much that my comments and those of fellow
3 panelists will be given due consideration.

4 My primary concern with mandatory
5 electronic transfer of government benefit payments is
6 the cost and convenience to the consumer. With bank
7 account fees and ATM user fees climbing steadily, it
8 is easy to see how recipients of government assistance
9 could end up paying a significant percentage of their
10 benefits to financial institutions just to maintain an
11 account to receive their benefits.

12 My focus is on the poor and those of
13 modest means, many of whom are seniors. We must make
14 sure that the EFT system does not disadvantage them.
15 Future regulations are required to spell out what the
16 costs will be to consumers, but there is no assurance
17 in the proposal as it is presently written that they
18 will not be disadvantaged.

19 In New York State, the banks are required
20 to provide basic banking accounts on which monthly
21 fees are generally limited to \$3 and which permit up
22 to eight withdrawals per month. This is a bill that

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1 I and others have sponsored for many years and was
2 passed some years ago.

3 I think it's worked, although compliance
4 with the regulations governing this basic banking has
5 not been as good as I and many others had hoped for,
6 and there are many consumers who are still unaware
7 that banks must offer such accounts.

8 I'd therefore propose that as to
9 government benefit recipients with bank accounts in
10 New York State or states that have similar such
11 accounts, that your regulations require all financial
12 institutions to inform the recipients of the right to
13 have such an account.

14 As to government benefit recipients who do
15 not have and do not choose to open a bank account, the
16 proposed regulations require that special electronic
17 transfer accounts be established for them. I urge
18 that the regulations require these ETAs to provide
19 inexpensive banking services and a network of safe,
20 low cost, and convenience electronic access points.

21 Clearly the millions of dollars of savings
22 expected for both the government and the banks should

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1 not come at the expense of people who receive
2 government payments. They should end up being the
3 beneficiaries of these savings.

4 The waiver provisions that permit
5 recipients without bank accounts to continue to
6 receive benefits by checks are too limited. There are
7 many other reasons besides financial hardship,
8 physical disability, and geographical barriers that
9 would justify a waiver. These include mental
10 disability, illiteracy, or inability to speak or read
11 English.

12 Because many individuals may choose not to
13 have bank accounts for fear of creditor attachment,
14 the electronic transfer accounts being set up for
15 people without their own bank accounts should be
16 exempt from attachment so that funds cannot be frozen
17 and payment recipients do not need to affirmatively
18 demonstrate to the bank that the funds are exempt.

19 And, of course, I'm suggesting only that
20 the funds electronically transferred be so exempt.

21 There are many legitimate reasons why
22 benefit recipients resist electronic transfer. If the

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1 government is going to require it, then these concerns
2 must be fairly addressed. I believe the adoption of
3 my suggestions would go a long way towards achieving
4 that goal.

5 I thank you.

6 MR. HAMMOND: Thank you very much for your
7 remarks.

8 Our third panelist this morning is Sol
9 Gorelick.

10 MR. GORELICK: If I may, I would like to
11 waive my position to Shirley Genn.

12 MR. HAMMOND: Okay. Our third panelist
13 this morning will be Shirley Genn with the Brooklyn-
14 Wide Interagency Council for the Aging.

15 MS. GENN: Thank you. Let me see if you
16 can hear me.

17 My name is Shirley Genn, and I am the
18 Executive Director of the Brooklyn-wide Interagency
19 Council of the Aging, and I sincerely appreciate the
20 opportunity to address you and the audience today
21 regarding the proposed electronic transfer of federal
22 benefits.

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1 On my way in this morning, as per usual,
2 I took the subway and suffered the same thing that
3 many other riders suffer daily. There was a problem
4 on one of the lines, and so there was an announcement
5 trying to explain, and this is what I heard. "Yan,
6 yan, yan, yan, yan, transfer, yan, yan, yan, station,"
7 et cetera. I would like to draw an analogy from that
8 to something that I'm going to discuss with you today,
9 and that has to do with the communications skills of
10 the Federal Register.

11 I looked at it very, very carefully and
12 very, very closely. Number one, let me say that just
13 in advance of that, as an institution that is supposed
14 to be concerned with the public good, it appears to me
15 that there should have been public announcements for
16 some time in advance so that the public at large would
17 know and if it so desired would be in a position to
18 know the issues and to come here and also let you know
19 what their feelings are.

20 In addition to that, I looked at how I
21 could and other people could, because I contacted many
22 people to let them know about this, and they said they

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1 couldn't go, but they wanted to write, and then they
2 called me back and said, "There's E-mail." I don't
3 have E-mail. I don't have a fax. There's no address.
4 How am I supposed to give my comments?

5 (Applause.)

6 MS. GENN: Still others called and said,
7 "Look. I wanted to call, but I can't afford a call to
8 Washington, D.C." There should have been an 800
9 number.

10 So that last, but not least, in terms of
11 a suggestion about how one might communicate more
12 broadly and more effectively, since it deals with
13 federal payables, it would appear to me that every
14 federal payable check from here on end ought to have
15 something that deals with this issue in order to
16 educate the public at large.

17 Brooklyn-wide is a consumer dominated,
18 educational, networking, and advocacy organization
19 composed of 17 local interagency councils who
20 represent 400,000 seniors residing throughout our
21 borough.

22 Brooklyn-wide has been a major force in

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1 New York State, in cooperation with other concerned
2 groups in advocating for programs to improve the
3 quality of life for our elderly. The overwhelming
4 majority are low and moderate income individuals, and
5 this testimony addresses the concerns of poor,
6 elderly, and disabled persons.

7 I am, of course, available to answer
8 questions you may have now or at some future date as
9 the need arises.

10 On May 22, 1997, Brooklyn-wide gave
11 similar testimony before the Senate Banking Committee.
12 At that time the Federal Register had not yet
13 published its proposal on electric transfer accounts,
14 and newspapers were my primary source of information,
15 plus some information that I gleaned about
16 demonstration programs in the South and Southwest of
17 our nation. Empire Corporate

18 After reading the Federal Register, I am
19 more disturbed than ever. There's critical
20 information omitted in the proposal to the public
21 regarding the costs of those unbanked who receive
22 federal payments.

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1 I contacted the Treasury Department to
2 find out why the only reference to banked fees was
3 "reasonable costs." I was told that the Treasury
4 Department will determine the fees to be charged to
5 the unbanked in consultation with the banks after,
6 not before, the public hearings. In this agreement,
7 it appears that the Treasury Department has determined
8 that it is the fox in the chicken coop who should be
9 negotiating with them to determine a reasonable fee
10 for the most vulnerable in our population.

11 This is to your discredit as a federal
12 agency, charged with the responsibility of protecting
13 the public.

14 To compound your agency's duplicity in
15 this matter, and forgive me for being harsh, but I
16 feel very strongly about this, contracted banks will
17 receive millions of dollars in payments from the
18 government for providing this service. How many times
19 must a bank be paid for this service?

20 Additional public comment is necessary on
21 the process by which the Treasury Department will
22 engage banks to provide ETAs as the final design of

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1 the account. The Treasury Department should properly
2 provide opportunities for extended public comment once
3 it has determined how the ETA will work.

4 It is essential that the Treasury
5 Department require that ETA be affordable, genuinely
6 accessible, and available to any recipient of federal
7 benefit payments.

8 The Treasury Department's regulations
9 gratefully include waivers allowing recipients without
10 bank accounts to continue to receive benefits by check
11 if they state that EFT would present a financial
12 hardship or hardship based on physical disability or
13 geographic barriers. We support these waivers and
14 your efforts in this direction, but these waivers
15 should be broadened to include additional waivers for
16 mental disability, literacy problems, and language
17 barriers.

18 These waivers should be available to all
19 recipients regardless of when they begin to receive
20 federal benefit. Recipients should also be permitted
21 to request waivers if their situations change so that
22 EFT would cause hardship in the future.

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1 I'll briefly describe the unbanked
2 population that I represent. After having worked all
3 their lives, in the hopes that they could spend their
4 last years in dignity, the elderly are being told to
5 share the pain. With whom?

6 Typically people without bank accounts are
7 poor. They live on minimal incomes, have limited
8 education, and are unfamiliar with maintaining
9 accounting records. In many instances language
10 barrier exists. They barely subsist on the income
11 they get from Social Security, supplemental security
12 income, and other federal benefit programs.

13 The federal government is asking that this
14 vulnerable population subsidize the government and
15 banks? Is that a fair way to share the pain, a
16 favored phrase frequently used by some in government
17 charged with the responsibility of protecting the most
18 vulnerable among us?

19 The federal government expects to save the
20 Treasury about \$500 million over the next five years
21 with its implementation of the Debt Collection
22 Improvement Act of 1996 by depriving seniors on social

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1 security and others of the right to determine where
2 their benefits dollars will go and charging them for
3 the privilege out of their own meager checks. So the
4 government will share the pain by saving its
5 distribution costs and putting it on the backs of its
6 most vulnerable populations, approximately ten million
7 weak among us nationally.

8 With care not to have the banks assume any
9 financial burden, the money will be electronically
10 banked for all those too poor to have any bank history
11 or experience. Without their consent, with limited
12 and unclear alternatives offered, these poor federal
13 recipients will now be given the privilege of sharing
14 the pain with the banks.

15 The cost to seniors and others in this
16 vulnerable population is expected to be \$3 monthly.
17 This is based upon demonstrations that I reviewed.

18 In addition, the banks will generously
19 charge them 85 to 95 cents per withdrawal each month
20 after the initial withdrawal, and they will face an
21 additional fee, in some instances two or \$3 per
22 transaction if they have to shop at foreign banks and

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1 withdraw their money there.

2 I must also point out that while the banks
3 readily accept the dollars put in, I have not seen
4 legal safeguards to protect EFT customers. The
5 Treasury Department should prohibit attachment of
6 funds in an account into which federal payments have
7 been deposited, should impose sanctions on banks that
8 attach such funds, and publicize this provision to
9 recipients.

10 Please be reminded that the financial
11 benefits already enjoyed by banks will increase
12 exponentially with the full implementation of this
13 law. Therefore, it is reasonable to assume that
14 banks, in turn, have a responsibility to the
15 communities from which they benefit. The nation's
16 small depositors, particularly its elderly, disabled,
17 and poor populations are entitled to some reciprocity.
18 They banks use their money and then charge them fees
19 for this benefit. Frequently the fees are greater
20 than the small interest they may earn on these
21 accounts.

22 Because of the profits that banks make

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1 without having to charge -- I had better put my
2 glasses on. I'm one of those seniors, and I wrote
3 something down and can't get to it.

4 Okay. Because of the profits they make
5 without having to charge fees, it is reasonable to
6 assume that the banks or the major institutions
7 implement EFT at no cost to federal beneficiaries.
8 With banks moving toward greater electronic systems
9 and computerization, the industry is and will enjoy
10 greater profits realized by modern efficiencies.

11 Entire segments of our economic society,
12 including state, city, and private sector, are using
13 electronic technology to distribute salary and
14 payables. Electronic distribution of federal payments
15 will infuse a profit boom for banks. It is reasonable
16 to expect banks to use some of these profits to make
17 banking more convenient and less costly for customers
18 without whom these profits would not exist.

19 The proposal provides for no educational
20 process until, I believe, late in -- the fall of 1997
21 and then in a more advanced way in 1998. It is now
22 halfway through October. I have seen nothing about

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1 any educational programs that would be helpful.

2 Education in banking procedures is totally
3 foreign to this population. It is a slow process and
4 must be implemented broadly at the earliest possible
5 date so that the unbanked will be genuinely helped to
6 transition into banking customers.

7 Our government agencies at all levels
8 should be making greater demands upon our banks to
9 restructure their regulations, marketing and
10 educational activities so that low income consumers
11 will be encouraged, not compelled, to be in the
12 banking services mainstream.

13 Let me tell you just a little bit more
14 about our unbanked seniors. Most are women living
15 alone. They live in poor communities with few
16 amenities. There are frequently no banks nearby. The
17 elderly, if they can't walk, will be required to
18 travel by bus. Most cannot climb the subway steps to
19 and from the bank. If they are too frail or disabled,
20 they have to pay for car service or taxicabs.

21 If they withdraw all of their money at one
22 time, there's a significant chance they'll be mugged.

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1 In addition to their physical plight, they'll have no
2 money that month for rent, food, health care, the
3 basics for survival. If they draw down, it means
4 several trips per month with the attendant costs
5 outlined above.

6 Please remember that their total monthly
7 income is approximately \$600 a month. This sum must
8 also cover gas, electricity, telephone, sundries, such
9 as soap, aspirin, et cetera, clothing, and so on.

10 It is our shame as the wealthiest nation
11 in the world that such regulations should even be
12 considered. I implore you not to allow this injustice
13 to occur. The financial and emotional cost is too
14 great for America's seniors and its poor and
15 vulnerable populations to bear.

16 Banks receive CRA credit for services to
17 special populations. The poorest and most fragile
18 among us don't have the resources or the ability to
19 request assistance in establishing businesses or
20 purchasing homes. They live from month to month on
21 marginal incomes, unable to sustain any loss of income
22 or increased complexity in meeting their financial

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1 obligations. They should not be asked to pay any
2 portion of this burden.

3 To the contrary, I have some suggestions
4 on how to transition this special community into a
5 banking mode. I propose that banks be required to
6 initiate the suggestions I have outlined that I will
7 read to you in a moment, providing these essential
8 services to our neediest population, thereby
9 fulfilling their community responsibility and be
10 rewarded by receiving CRA credit, a little sharing of
11 the pain for our banks.

12 The banking fees. I think all banking
13 fees should be eliminated for this special population.
14 There should certainly be an elimination of charges
15 for foreign ATMs. There should be free and unlimited
16 ATM transactions. They're minimal in cost to the
17 banks, and they have saved I don't know how many
18 millions because they no longer require the same staff
19 to deal with these banking services.

20 There should certainly be eight check
21 transactions monthly that they are allowed, and they
22 should be compelled to disclose terms that apply to

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1 their funds disbursed activities in a user friendly
2 environment, giving clear and simple information on
3 restrictions, reasonable penalties, surcharges, et
4 cetera, for services on these accounts.

5 In terms of security and consumer
6 protection, they need safe and convenient access,
7 sufficient numbers of ATM sites and bank branches
8 within the community, simple access EFT card
9 replacements for lost cards, legal safeguards to
10 protect consumers from invasion into their accounts,
11 such as notice and opportunity to contest any
12 governmental invasion into their accounts.

13 And last, and certainly not least, public
14 education. Notices in large print and conspicuous
15 sites in banks, ATM centers, government offices,
16 senior centers, libraries, et cetera; informational
17 notices with checks which I indicated earlier now
18 being mailed out to recipients; brochures in banks and
19 ATM centers; a disclosure of terms that apply to the
20 banks' additional services in a user friendly
21 environment; and ATM training machines for extended
22 periods at community sites, such as senior centers,

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1 welfare offices, libraries, so that people do become
2 educated about how to use it and familiar with it.

3 And very last, but not at all least,
4 primarily is to have not a simple seminar with people
5 talking at people who are unbanked and totally
6 unfamiliar with banking procedures and how to keep
7 records. There should be workshops on bank account
8 record keeping for two or three months after people
9 open up an account so that they can be taught how to
10 keep records without being overwhelmed and without
11 finding themselves at a deficit.

12 Thank you very much for listening.

13 MR. HAMMOND: Thank you very much, Ms.
14 Genn.

15 I would like --

16 (Applause.)

17 MR. HAMMOND: I would like to make two
18 points of clarification or additional information at
19 this point. First is that by all means, we do welcome
20 comment letters, and if there's not an address in the
21 packet of materials that's available, if you could see
22 someone in the audience before you leave or at the

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1 table from the Financial Management Service, they'll
2 pass on to you the mailing address for sending in
3 written comment letters.

4 And in addition, it is the Treasury's
5 current intention to have an additional period of
6 public comment once the terms of the electronic
7 transfer account are announced. So there will, in
8 fact, be another opportunity for public reaction.

9 MS. GENN: I assume that means that they
10 are proposed.

11 MR. HAMMOND: Right, correct.

12 MS. GENN: Okay. Just checking.

13 MR. HAMMOND: Our next panelist will be
14 Mr. Sol Gorelick or Gorelick -- I'm sorry -- head of
15 the New York Legislative Social Action Committee.

16 MR. GORELICK: Good afternoon.

17 First, I would like to thank you for the
18 opportunity to participate in this hearing. My name
19 is Sol Gorelick, and the committee of which I am
20 listed as the head is the Legislative Action
21 Committee, Social Action Committee of the Brooklyn-
22 wide Interagency Council on Aging. So you can

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1 understand why I yielded to Shirley.

2 I also am here as a Vice President of the
3 Retirees Association of District Council 37, American
4 Federation of State, County, and Municipal Employees,
5 AFL-CIO.

6 I'm making every effort to avoid
7 duplicating other persons' remarks. Most of my
8 comments will focus on the hearing process itself.

9 And one thing I note is that there are no
10 banking representatives here, although their
11 competitors in Western Union, Travelers Insurance,
12 credit unions, they are here, and if the bankers
13 aren't here, is it because they've already had their
14 opportunity to communicate and negotiate with the
15 Treasury Department and other government officials?
16 I am inclined to feel that there has been such a
17 process long before this hearing was held, and maybe
18 that explains why no representative of the banking
19 industry or any of the banks in our communities here
20 in New York are present to testify.

21 They may be here. I don't know them all,
22 but they're not testifying and facing questions from

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1 you. So that's kind of strange.

2 In any event, it reminds me of the
3 history, and it's sometimes helpful to look at
4 history. I remember learning that in the founding of
5 our country Thomas Jefferson was opposed to having
6 banks at all because he considered that they were just
7 a way of stealing money from the farmers or the
8 gentlemen farmers who were the most dominant financial
9 group, you might say, of the community at that time.

10 I also remember -- and that's during my
11 lifetime -- that the government had to bail out the
12 banks during the 1930 depression. So we have a
13 history of an institution which does not mind
14 accepting government help when it's necessary.

15 And as we look further at the proposal, we
16 see that what's proposed so far or that's on the floor
17 for discussion is, in fact, a windfall for the banking
18 industry in three ways. One is, of course, costs to
19 the government are reduced. We hope that is true, but
20 costs to the banks are reduced because handling
21 electronic transfer is much less expensive than having
22 a teller who has to handle a check and the clerical

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1 workers, et cetera.

2 So that's one source for the banks. The
3 other source is being paid by the government for
4 providing this system to operate.

5 And the third way is to charge the
6 customers, both those who have already bank accounts
7 and those particularly who are unbanked.

8 Those who have bank accounts already may
9 be spared this additional cost, provided they keep the
10 required minimum balance in their account, and I just
11 checked on that last Friday in my own bank because I
12 receive my Social Security benefits by electronic
13 transfer, and they warned me that if my account fell
14 below a certain level, I would suffer the same as
15 everybody else who doesn't have enough money for the
16 bank to earn enough interest to make it profitable.

17 So there are three sources for the bank.
18 We call that triple dipping, and it doesn't seem very
19 equitable.

20 Now, we know that new technologies are
21 here. They're, you might say, unstoppable. They're
22 not exactly an act of nature, but they are an act of

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1 human beings in a social environment, and so we don't
2 want to stop it, but we want it to serve everybody in
3 a more or less equitable way.

4 So we're not opposed to the new technology
5 in the form of electronic transfer, but we do feel
6 that there should be more balance in the rewards.

7 Some people take your proposals, the
8 Treasury Department's proposals, as another form of
9 corporate welfare. In other words, the government
10 should provide subsidies or funding or easy access to
11 profit for certain kinds of institutions, but there's
12 not the same equal treatment of people and families,
13 and perhaps a more equitable approach could be
14 developed as you develop your regulations.

15 Getting back to the hearing process,
16 you've heard others say that there should be more
17 hearings, and you yourselves have said there will be
18 at least one more, I assume, in this area. Am I
19 correct that that's what you meant about another
20 hearing?

21 MR. HAMMOND: No. What I meant, Mr.
22 Gorelick, is that we're going to have another period

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1 of public comment on the proposed regulations.

2 MR. GORELICK: I see. Okay. So then I'm
3 restating my proposal, which is that this hearing be
4 considered as incomplete until there is sufficient
5 notice given to interested parties in this area so
6 that the hearing can be continued with sufficient
7 participation from various groups of the population.

8 As someone said it eloquently before the
9 break, not just representatives of organizations, but
10 a fairly representative number of people who are at
11 the receiving ends of whatever new regulations are
12 finally established.

13 As a matter of fact, we propose or we
14 suggest that there be local hearings, and by local we
15 mean community based, in the same communities where
16 banks see fit to operate and make their profit. Those
17 communities are the ones where residents of the
18 community should be able to participate with easy
19 access to the hearing place, with sufficient
20 announcements, and if any help is needed in developing
21 these local community-based hearings, we would be very
22 glad to help, not just myself personally, but

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1 Brooklyn-wide and the Retirees Association, and many
2 other groups who would be willing to help in that
3 process.

4 In fact, we feel that process is so
5 important that if you don't it, we're going to do it,
6 and we may not be as balanced in our presentation as
7 you are. So may I suggest that you give serious
8 attention to the matter of local community hearings.

9 And, of course, the hearings would then be
10 in the appropriate languages for the people who happen
11 to live in that community. So I'm adding Russian to
12 that since in the community I live in and where
13 Shorefront Interagency Council is located, Russian has
14 become a very large use language.

15 Well, I want to thank you for the
16 opportunity to present this, and I will put it in
17 writing if that is felt helpful, but we are certainly
18 prepared to be called upon to help you in whatever
19 process follows this particular hearing. As I say, I
20 hope it's only the beginning of the communication
21 process.

22 Thank you.

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1 MR. HAMMOND: Thank you, Mr. Gorelick.

2 MR. GORELICK: Excuse me. I have to get
3 back to my community.

4 MR. HAMMOND: By all means. Thank you
5 again for your time and your contribution.

6 Our next panelist will be Beth Finkel with
7 the -- I also need my glasses.

8 MS. FINKEL: I'll help you out.

9 MR. HAMMOND: The Executive Director of
10 the Manhattan Borough-wide Interagency Council on the
11 Aging.

12 MS. FINKEL: Close.

13 MR. HAMMOND: Close?

14 MS. FINKEL: Good afternoon. My name is
15 Beth Finkel. I'm the Executive Director of the
16 Manhattan Borough-wide Interagency Council on Aging.
17 I guess Mr. Hammond wasn't brought up in New York
18 City.

19 Okay. Please excuse my sore throat. I
20 will try as well as I can to speak loudly. I also
21 would ask your indulgence if part of my testimony is
22 repetitive, but I feel that some of the points really

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1 demand underscoring. So please bear with me.

2 Manhattan Borough-wide Interagency Council
3 represents both consumers and senior service providers
4 throughout the Borough of Manhattan, and our mission
5 is basically to educate individuals, consumers, those
6 same senior service providers, elected officials as to
7 the needs, issues, and concerns of older adults; to
8 advocate for and with them; and to empower them to
9 effect change by providing a forum where the members
10 and the general public can meet and discuss and
11 exchange ideas and information.

12 And just as an aside, we are doing for our
13 next November forum, we are doing it on the electronic
14 funds transfer. So we would very much welcome a
15 representative from the Treasury Department or any
16 other departments that are represented here, and I'll
17 give you our flyers later if you'd like.

18 There are over 265,000 people over the age
19 of 60 living in Manhattan, and an overwhelming
20 majority of them are low to moderate income
21 individuals, relying on federal and state benefits.
22 Over ten million Americans receive government benefits

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1 currently that are without these bank accounts.

2 Among the elderly, this group is most
3 often financially unsophisticated. Some of are
4 fragile and disabled. So how do we address their
5 issues in planning for implementation of the
6 electronic funds transfers?

7 We've all heard about that here, and I'm
8 just going to underscore those concerns that we all
9 have again.

10 First of all, how will the low income
11 seniors afford the fees associated even with the basic
12 banking accounts? And what fees are going to be
13 applied? And how are we actually going to define, as
14 my colleagues have stated, what reasonable costs are?

15 I think we probably need a separate
16 hearing just on that issue alone, and as Senator
17 D'Amato had said earlier, and I don't know if everyone
18 heard this, he felt that there really should be no
19 fees at all for this population group, and our group
20 certainly agrees with that.

21 How will the elderly, who have never had
22 bank accounts, learn to adapt at this point in their

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1 lives? And what educational programs will be
2 implemented to help them?

3 We share the concern of Ms. Genn on
4 starting these programs in 1998. We feel that that's
5 a little bit late. You need to get on the stick a
6 little bit sooner than that.

7 What safeguards are going to be put into
8 effect to protect seniors from financial abuse? This
9 is a very major issue for our population. We're
10 concerned about the liability for caregivers, people
11 who are going to be taking care of the seniors, who
12 maybe at this point in time are not disabled and are
13 not eligible for waivers, who are among the young old
14 now receiving benefits. What happens when they reach
15 the age cohort of the old old seniors? And then their
16 needs are going to be different, and what is the
17 waiver process when their situation changes? And how
18 quickly will we be able to respond to those changes?

19 What liabilities will there be if debit
20 cards fall into the wrong hands? A major concern of
21 ours is some of the safeguards that might be in effect
22 for the federal regulations are not necessarily going

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1 to be applied to the state regulations, and consumers
2 are going to look at both of these benefits as the
3 same, and it's going to be very confusing. They're
4 going to assume that the liability that they have with
5 federal benefits is going to be the same, and that
6 they will not have the same penalties incurred.

7 If they send a neighbor out to buy their
8 groceries with this debit card and then somebody
9 steals it, is cracked with it, what happens? Do they
10 lose their month's revenue? Are they unable to pay
11 their rent? Are they unable to eat for the rest of
12 the month? How are we looking at this issue?

13 What's the implication for guardianship
14 cases? Maybe people are not in guardianship now but
15 will be. What will be the availability, and the group
16 said this before and this is very important to us, of
17 debit terminals in local check cashing institutions,
18 in the local bodegas, corner grocery stores? This is
19 where many seniors in the inner city frequent, where
20 they're comfortable shopping. We can't ask them to
21 change their whole life styles because the government
22 is changing the way we give out money. We have to be

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1 sensitive to their cultural needs, and even more
2 importantly, we have to think about the economic
3 hardship on these stores which affects the local
4 communities' economic development.

5 Because these stores have been in the
6 communities for a very long time supporting the local
7 institutions, the PTAs, the Little Leagues and you
8 name it, and what happens? They were there when the
9 banks all disappeared and when the major chain grocery
10 stores were not readily available. Is this how we
11 repay their dedication to a community?

12 We'll give you waivers not only for the
13 disabled, but also for seniors who are confused or
14 distrustful of banks. Other people have mentioned the
15 mental disabilities, the literacy problems, and
16 language barriers. These are all areas that we really
17 need to look at.

18 And what would be a sufficient increase in
19 appropriations for agencies that are going to have to
20 deal with these waiver programs? Will there be an
21 increase for them in the implementation process? Will
22 there be more people available to answer questions to

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1 consumers if they call Social Security or the
2 Veterans' Administration? What will happen? People
3 will panic, and they will start calling by probably
4 the millions, and they'll need to get a response, and
5 they're going to need people who can answer their
6 questions. So will these agencies have the staff to
7 provide that?

8 And then I'd like to get back to the issue
9 of elder financial abuse. If a senior is afraid of
10 penalties or afraid of having to pay extra service
11 fees per month, they're more apt to withdraw their
12 money once a month, and I probably don't need to tell
13 you all that the local people, some people in the
14 community, will know when the seniors' transfers are
15 going through, and they will be prayed upon, and we
16 need to think about how we're going to protect them.

17 Currently the New York City Department for
18 the Aging has a pilot program where some of the local
19 precincts escort seniors from a senior center to the
20 local banks and back again. Some of this funding
21 comes through Safe Streets, Safe Cities money. I
22 would suggest that you might want to look at

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1 increasing these funds so that we can expand these
2 programs.

3 And lastly -- if I missed this before,
4 please correct me -- will the Treasury Department
5 include public comments again before the final design
6 goes through? I know that this ends the end of the
7 year and your public commentary, and then you're going
8 to go back into private session. Well, will it be
9 open again for a more public comment?

10 MR. HAMMOND: The answer to that is yes on
11 the terms of the electronic transfer account, which is
12 the account to be offered to the unbanked.

13 MS. FINKEL: Okay, and I would also -- I
14 guess I'd just really like to thank you so much for
15 giving me the opportunity of giving you this
16 testimony, and it's our hope that the Treasury
17 Department will keep us in this process as advocates
18 because it's real important.

19 And I thank you again, and I'll be
20 available for any future information that you might
21 need.

22 MR. HAMMOND: Thank you very much, Ms.

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1 Finkel. I appreciate your comments as well, and we,
2 too, very much share the concerns in particular about
3 the risk of seniors carrying around the entire
4 entitlement payment, benefit payment at one time. We
5 think that is truly one of the areas where EFT can be
6 a true advantage going forward.

7 Our final panelist on this panel is the
8 Reverend Joseph Washington from O.N.E., Organization
9 for a New Equality.

10 REV. WASHINGTON: Correct, and, Mr.
11 Chairperson and panel, I, too, would like to apologize
12 for my tardiness. I can't blame it on the train. So,
13 therefore, I'm going to blame it on the chef that took
14 too long in the preparation of my lunch.

15 (Laughter.)

16 REV. WASHINGTON: The Organization for a
17 New Equality thanks you for this opportunity to
18 present testimony today regarding the profound
19 implications of EFT 99 on low and moderate income
20 communities, and especially the African American
21 community and other communities of color.

22 I offer this testimony in my capacity as

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1 Chairman of the board of directors for O.N.E., the
2 Organization for New Equity, and its national
3 Community Reinvestment Network as a pastor to these
4 communities and as a member of the community.

5 Let me begin by stating while the issues
6 arising out of the move towards electronic funds
7 transfer are numerous and weighty, this program
8 represents an extremely promising opportunity to help
9 those who are mired in the economic swampland to swim
10 in the economic mainstream.

11 While we feel that the rules proposed by
12 the Treasury are good and head in the right direction,
13 there are certain areas we feel need to be revisited
14 and/or revised. With such a program as this, having
15 the potential to impact such a large segment of the
16 population that we represent, we cannot help but feel
17 that the analysis and implementation be anything but
18 slow and methodical.

19 In an effort to be concise in my
20 presentation, I will attempt to reduce our concerns as
21 to the impact on communities and to some general
22 points, with particular emphasis on certain

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1 provisions.

2 One, the waiver provisions for payment
3 recipients;

4 Two, access to ETA accounts;

5 Three, characteristic structures of ETA
6 accounts;

7 And, lastly, public education campaign.

8 Firstly, waiver provisions for payment
9 recipients. While the proposed rules lay out a
10 general structure for the ability to obtain waivers
11 for EFT 99, it is our belief that they may not be
12 comprehensive enough to insure that all individuals
13 with an account in a financial institution pursuant to
14 the Debt Collection Improvement Act of 1996 will have
15 access to such an account at a reasonable cost and are
16 given the same consumer protection with respect to
17 their account as other account holders at the same
18 financial institution.

19 Under the proposed regulations, Treasury
20 would only allow waivers to those persons with an
21 account prior to July 26, 1996. If EFT 99 would
22 impose a physical or geographic barrier, as stated,

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1 this would not allow for waivers to those individuals
2 based upon an economic hardship, mental disabilities,
3 literacy problems, as well as language barriers.

4 Moreover, waivers would not be provided to
5 anyone who establishes or has established an account
6 following the 26th of July 1999.

7 Second, access to ETA accounts. The rules
8 as currently proposed will not allow those who
9 currently have accounts with financial institutions or
10 those who establish such accounts pursuant to EFT 99
11 to opt into ETA accounts. This provision seems to
12 defeat one of the inviolate purposes of EFT 99, to
13 promote the interests of unbanked into the economic
14 mainstream where the use of the recipient's own
15 voluntary account proves to be more costly or provides
16 fewer protections than do the ETA accounts.

17 It is our belief that unless Treasury
18 plans to regulate voluntary accounts established
19 pursuant to the rules without the ability to opt into
20 ETA accounts, payment recipients may face the prospect
21 of paying exorbitant fees for unregulated accounts or
22 may be effectively prevented from seizing this

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1 opportunity to move into the economic mainstream.

2 Thirdly, characteristic structure of ETA
3 accounts. The accounts currently being designed by
4 Treasury to meet the needs of the unbanked must be
5 structured such that the federal payment recipients
6 will be able to access their funds conveniently,
7 safely, at a minimal cost, and must receive the same
8 protections as any other banking customer.

9 As previously mentioned, the act itself
10 requires that recipients be provided access through
11 EFT 99 at a reasonable cost and with the same
12 protections as others. In order to accomplish these
13 goals, the ETA accounts must have monthly service fees
14 set at a bare minimum to insure that recipients are
15 not forced to seek a waiver due to economic hardship.

16 Moreover, Treasury should seek to create
17 an account that will provide the maximum number of
18 monthly withdrawals possible. This, in effect, will
19 help to encourage recipients to maintain money in
20 their accounts for longer periods of time during the
21 month, in turn providing banks with the opportunity to
22 make a greater profit through the float resulting in

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1 lower monthly servicing costs.

2 Treasury procurement of the ETA accounts
3 must also insure that adequate geographic access is
4 provided and that direct access to funds through the
5 vendor, the financial institution. While it is
6 certainly helpful for recipients to be able to access
7 these funds in a number of facilities, be they ATMs,
8 et cetera, it is more important that these recipients
9 have the ability to access their funds directly from
10 the financial institution without the need for
11 intermediaries, such as fringe banker, meaning check
12 cashers, rent-to-own stores, and the like, where
13 excessive fees have and will be charged to recipients
14 for access to their funds.

15 And, lastly, the public education
16 campaign. The public education campaign announced
17 publicly and in background to the regulations must be
18 comprehensive and provide payment recipients with all
19 information to insure that they make reasoned and
20 informed decisions.

21 Treasury should only begin educating the
22 public around EFT 99 and the ETA accounts when their

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1 general characteristics have been ascribed to them and
2 after the vendor procurement process has begun.

3 Further, should Treasury decide that the
4 waiver of opt in processes for ETA remain the same,
5 the campaign must inform recipients that once they
6 sign up on the unregulated, voluntary accounts, they
7 will no longer be eligible for either the ETA account
8 or for a waiver based on financial hardships.

9 It should be clearly noted that both the
10 implementation of EFT 99, as well as the public
11 education campaign, must recognize the many options in
12 educating consumers around EFT 99. Though Treasury
13 has entered into a contract with a national
14 advertising company, the department should not accept
15 the traditional avenues of public education. They may
16 not be adequate in reaching our communities and
17 individuals where EFT will have the most substantial
18 impact.

19 A number of possible alternatives would be
20 to provide training through preexisting community
21 programs, educational campaigns established by the
22 consumer, the community, churches, synagogues, and

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1 other public housing developments.

2 Though the implementation of EFT 99 can be
3 positive, the government must be certain that it does
4 not result through deficiency in either rules
5 themselves or the public education campaign in the
6 estrangement of a large portion of our nation's
7 unbanked, low and moderate income communities from the
8 benefit of a long-term relationship with mainstream
9 financial institutions.

10 Once again, we thank you for this
11 opportunity to present our views on proposed rules and
12 look forward the final rules with the necessary
13 changes reflecting the additional needs of payment
14 recipients. Please feel free to call on us at any
15 time to provide additional information.

16 Thank you.

17 MR. HAMMOND: Thank you, Reverend
18 Washington.

19 To start off the period of questions and
20 answers, I simply would like to pose an initial
21 question directed at Ms. Finkel, but if others have
22 thoughts on it as well, that would be helpful.

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1 In particular, it comes to the question of
2 you had mentioned in your testimony liability for
3 caregivers, and I was wondering if you could elaborate
4 on that a little bit and how that may or may not
5 overlap with, for example, the representative payee
6 program under the Social Security program.

7 MS. FINKEL: That was not the correlation
8 that I was seeing here.

9 MR. HAMMOND: Okay.

10 MS. FINKEL: What I was thinking in terms
11 of is with the high number of seniors with dementia or
12 actual physical disabilities or even temporary
13 disabilities, where a senior breaks their hip and they
14 end up, you know, laid up at home for a long time and
15 they end up with a caregiver for 20 hours a week,
16 which is a very typical incidence in New York State,
17 and they can't get out of the house to go take care of
18 whatever it is they need to take care of, be it their
19 grocery shopping or banking or whatever. What
20 happens?

21 What are the processes that we're going to
22 be thinking about in terms of liability here? What

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1 happens with the caregiver?

2 MR. HAMMOND: I guess the question I have
3 is if you can elaborate a little bit on how that might
4 be different than in a cash or a check based situation
5 and how EFT may complicate that.

6 MS. FINKEL: Well, I think I'm thinking
7 about it in terms of maybe how the state benefits,
8 which I alluded to in my testimony before, are not
9 going to have the same liabilities in place that the
10 federal already seems to have, which is that -- and
11 please correct me if I'm wrong -- that if the card is
12 lost or stolen, you'll only be responsible for up to
13 \$50; is that correct on the federal?

14 I don't believe that that safeguard is in
15 place on the state level, and I believe the consumers
16 will pay both benefits packages with the same brush,
17 and first of all, it needs to be addressed at the
18 state level, but I think you need to know about it and
19 be concerned about it because, as I said, you're going
20 to be painted with the same brush as the state
21 benefits then, and people are going to be frightened
22 of the liability.

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1 MR. HAMMOND: Now I understand, and I
2 appreciate your concern.

3 MS. FINKEL: I'm sorry. I should have
4 been clearer on that.

5 MR. HAMMOND: No, no. You're absolutely
6 right. The federal benefits do receive protection
7 under what's called Regulation E, which the states do
8 have an exemption from.

9 MS. FINKEL: And, by the way, I do have to
10 add that even that \$50 is quite a steep liability for
11 a senior whose income might be five or \$600 a month.
12 So I think we need to think about that, too.

13 MR. HAMMOND: Thank you very much.

14 MR. STOUT: I would like to ask one
15 question to the panel. I think as we talked before,
16 we focus a lot on the unbanked community, and it is
17 very, very important that we do that. I would just
18 like to get some reaction from this panel with respect
19 to that portion of the population which is at least
20 the same number or higher than those without bank
21 accounts, who currently having a relationship with a
22 financial institution, but continue to get a check

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1 from the federal government. What you think and what
2 do you see are the issues that we're going to have to
3 address and the barriers that we're going to have to
4 overcome in order to move these recipients simply to
5 adopt direct deposit. What are the issues and your
6 perspective on that.

7 MS. GENN: I would like to address that.

8 Thank you.

9 There are a number of seniors who have
10 small bank accounts, and they have maintained these in
11 sometimes their checking accounts, sometimes their
12 savings accounts, and what has happened in some cases,
13 people have come to me and said, "You know, I had five
14 or \$600 in my account, and I really never had to use
15 it. So I just kind of left it there, and I needed to
16 take some of the money out for Christmas shopping,"
17 for example, "and when I went to the bank to withdraw
18 the money, I had no money and my account had been
19 closed out" because what happened was they had very
20 little money. There are monthly charges that come
21 every single month, and before they knew it their
22 money had just been lost, and unfortunately because

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1 we're talking about a very special population, either
2 through frailty or limited education or language
3 barriers or some sort of dementia or other problems,
4 did not know.

5 I would assume, although I am not sure
6 because they didn't know, that the banks did inform
7 them, but obviously getting a statement from a bank is
8 like the "yan, yan" I was talking about before. It is
9 frequently meaningless unfortunately to the recipient.

10 And so I would ask that very special
11 attention be given to this.

12 REV. WASHINGTON: As a consumer who has
13 recently gone from getting my check in my hand to
14 having my check directly deposited, it created quite
15 a bit of anxiety because I always wondered was the
16 money going to be there when they said it was going to
17 be there. So I had to find out how to make sure that
18 the money was there, and I began to call the bank, you
19 know, through the computer system that they have at
20 the bank that assured me that the money was there.

21 Now, for communities who may not have the
22 wherewithal or the initiative to get through that, we

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1 definitely have to have a solid public education
2 campaign.

3 I believe that a lot of it has to do with
4 fear, and if people know that their money is going to
5 be there at nine o'clock on Friday and you can
6 convince them and prove to them that the money is
7 going to be there, the likelihood of it being a
8 success is greatly increased.

9 So then Ms. Genn mentioned in her comments
10 that we have to be certain that we have a campaign
11 that teaches people. You know, this has the potential
12 of being something that's good. It will help you
13 manage your money and see where your money is going,
14 but it will not help you manage your money and see
15 where your money is going until we do the necessary
16 groundwork to make sure that people feel safe and
17 secure about EFT.

18 MR. HAMMOND: Mr. Barrett, I believe you
19 had a comment.

20 MR. BARRETT: Yeah, I agree with the
21 Reverend. I think what you've got ahead of you is the
22 need for a very, very broad public education campaign.

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1 When I first realized that I was going to testify
2 before this panel, I started checking around with
3 people I know, people in my church, things like that,
4 groups that I go to, and to find out what they thought
5 of this coming change and what they were going to do
6 about it.

7 I was more than a little bit amazed to
8 find out that no one knew about it. I mean this has
9 been just about the best kept secret at least in my
10 neighborhood that I ever heard about.

11 Now, a lot of these people, I ask again,
12 a lot of these people still receive their Social
13 Security payments by check. My own sister who lives
14 in the same house I do, her and her husband
15 downstairs, they're both on Social Security. They
16 both choose checks. I myself have direct deposit.

17 It's not that they're not sophisticated.
18 They are, and they're not necessarily poor. They're
19 not wealthy. Neither am I, but they're certainly not
20 what we call near the poverty level.

21 The point is that you've got to start
22 telling people that this is coming or they're going to

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1 be lining up at your door, believe me, next December,
2 20 million of them outside either asking for waivers
3 or asking for direct deposit applications.

4 You've got to tell them what their options
5 are, when the deadlines are that they've got to file
6 for either waivers or for direct deposition, and how
7 much it's going to cost them to choose any one of
8 these options. You've got to start doing it pretty
9 quick. You can't wait very long, I mean, because
10 you've got a massive selling job to do or you're going
11 to have chaos at the end of next year.

12 Thank you.

13 REV. WASHINGTON: May I make one more
14 comment, please?

15 During the last session, a woman stood up
16 and talked about notification. I consider myself a
17 fairly literate person, and I read a lot. However, I
18 don't read the legislative record. I used to when I
19 was in government, but now I don't, and thank God for
20 Donald Graves who read it for me and translated it for
21 me.

22 But you're going to have a groundswell of

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1 people to come out of nowhere in protest of EFT if
2 public education and notification isn't given better.

3 I took a poll, too, yesterday in my
4 church, and I told my congregation that I was going to
5 give testimony to you this morning around EFT, and
6 most of them thought it was some kind of extra
7 terrestrial --

8 (Laughter.)

9 REV. WASHINGTON: And it is, and my point
10 is simply this. I think that my church represents a
11 nice cross-section of the American population, from
12 high income to low income people, and if people in the
13 community and in the institutions that are regarded
14 highly in communities don't know about it, just think
15 about the other populations in our community.

16 Thank you.

17 MR. HAMMOND: We appreciate that.

18 I think one observation going forward is
19 we recognize the critical importance of community-
20 based organizations in the success of this effort, and
21 I think that you'll find it will be an integral part
22 of the public education campaign.

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1 I also wanted to make one other
2 observation that came from the panel during the
3 testimony as to the lack of bank witnesses in the
4 panels, and I think it's fair to say that we are as
5 perplexed as you as to why there is not more bank
6 representation in the process at this time.

7 REV. WASHINGTON: Do they want to do it?

8 MR. HAMMOND: They seem to.

9 REV. WASHINGTON: I would think so, but,
10 yo know, sometimes they say like it's too little
11 money. You know, sometimes you go to banks and if you
12 don't have but \$500 to open up a checking account, you
13 can't open up the checking account, and since you're
14 talking about people with \$600, I don't know if they
15 would want to do it.

16 PARTICIPANT: You have spoken about
17 caregivers. I have done that. When these caregivers
18 only come 20 hours and the money is deposited
19 automatically, you need to have a power of attorney to
20 get this money out. You have not mentioned that at
21 all because every time the caregiver came, who's going
22 to go to the bank and make out a form for a power?

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1 That is a very ticklish issue.

2 MR. HAMMOND: I'm sure. Thank you very
3 much, and I'd like to thank the members of the panel
4 this afternoon. We appreciate your time, your
5 assistance.

6 There'll be about a five-minute break
7 while we change over for the next panel, and I believe
8 there are some refreshments out in the lobby, as well.

9 (Whereupon, a short recess was taken.)

10 MR. HAMMOND: If everyone could be seated,
11 we'll get started.

12 Okay. As I understand it, this is our
13 final panel of the day, and we have with us, I
14 believe, five panelists this afternoon, actually six
15 panelists -- I'm sorry -- to close out the afternoon's
16 events.

17 And let me begin with Hillary Botein, who
18 is the Associate Director of the Neighborhood Economic
19 Advocacy Project.

20 MS. BOTEIN: Thanks. Thanks for this
21 opportunity to testify on the Treasury's proposed
22 regulations.

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1 The Neighborhood Economic Development
2 Advocacy Project, or NEDAP, is a resource and advocacy
3 center for groups working on issues of economic
4 justice and low income neighborhoods and communities
5 of color in New York City, and I'm testifying today on
6 behalf of NEDAP and also for residents of the low
7 income red-lined neighborhoods in which we work.

8 We'd like to commend the Treasury
9 Department for holding these public hearings, in
10 addition to accepting comments, because that makes the
11 commenting process accessible to more people, and we'd
12 also just like to join in with a number of the people
13 who have said today that Treasury should consider
14 holding hearings in low income communities and
15 consider holding hearings during the evening to make
16 them more accessible to the recipients to whom these
17 regulations will apply.

18 My testimony will focus on the proposed
19 regulation's potential income on low income recipients
20 of federal benefits. We're particularly concerned
21 about their impact on residents of red-lined
22 neighborhoods without legitimate banking services who

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1 too often have to patronize check cashing outlets and
2 other fringe bankers in order to cash their benefits
3 checks, and in addition, the senior citizen groups
4 with which we work have been very worried about EFT 99
5 and the confusion and fear that could result, and many
6 of them have testified today and we hope that many
7 will submit written comments.

8 If EFT is designed and implemented
9 correctly and attentively, it has the potential to
10 improve delivery of federal benefits to low income
11 recipients, and the system could also bring
12 desperately needed banking services to red-lined low
13 income neighborhoods.

14 The regulations raise a number of
15 concerns. If these concerns aren't addressed in the
16 final regulations, the income recipients of federal
17 benefits will be at risk of not receiving their
18 benefits, incurring exorbitant fees, and falling prey
19 to the expensive and often unnecessary products and
20 services that are offered by fringe bankers.

21 I'm going to focus on two of our major
22 concerns today, and will address them and other issues

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1 in more detail in our written comments.

2 Our first concern relates to the waiver
3 provisions in the proposed regulations, and they've
4 been touched on by other commenters today, but I just
5 want to emphasize them again.

6 We applaud the Treasury's recognition that
7 a waiver process is necessary for some recipients, and
8 we agree that the waivers should be available to all
9 recipients for whom EFT would present a financial
10 hardship or a hardship based on physical disability or
11 geographic barrier, but we also feel that the waiver
12 categories and the group of recipients to whom they
13 are applied should be expanded in the final
14 regulations.

15 The final EFT regulations should include
16 waivers for recipients who certify that EFT would
17 cause them hardship based on mental disability, lack
18 of literacy, or unfamiliarity with English. As other
19 commenters have testified today, those people are very
20 much at risk of losing their benefits if they have no
21 chance to waive out of EFT requirements.

22 And we worry that Treasury and local

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1 agencies won't be able to provide the extensive hands
2 on and ongoing support that would be necessary for
3 those recipients to use EFT.

4 We're also concerned about the provision
5 that somebody mentioned recently that recipients with
6 bank accounts -- and this is complicated -- who began
7 receiving their benefits after July 26th, 1996, will
8 have no opportunity to request waivers from EFT, and
9 that recipients with bank accounts who became eligible
10 for their benefits before July 26th, 1996, will only
11 be able to request waivers in the case of physical
12 disability or geographic barrier.

13 We think that the final regulations should
14 provide that all of the EFT waiver categories apply to
15 all recipients regardless of when they became eligible
16 for benefits or whether they have a bank account or
17 not.

18 The proposed three tiered system in which
19 recipients are effectively penalized for having bank
20 accounts and for becoming eligible for benefits after
21 July of 1996 is simply not rational. There are many
22 reasons why recipients might have a bank account and

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1 still may not want to use that bank account in order
2 to receive their EFT transactions.

3 We also think that the final regulations
4 should specify that EFT waivers should be available
5 and should be publicized to recipients at any time.
6 For example, something that we see a lot is, given the
7 consolidation of the banking industry, bank branch
8 closings are happening very frequently, and they're
9 particularly happening in low income neighborhoods.

10 Accordingly, a recipient whose local
11 branch closes should be permitted to waive out of EFT
12 at that time if the closing creates a hardship based
13 on a geographic barrier.

14 And finally, we just want to emphasize how
15 important it is that Treasury widely publicize
16 availability of these waivers in different languages
17 and in clearly worded statements. If recipients don't
18 know that they have an option to be exempt from the
19 EFT mandate, the thought and comment that have gone
20 into these regulations and into the development of the
21 waiver process will be useless, and many recipients
22 will be at risk of losing access to their benefits.

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1 The second concern I want to touch on is
2 the design of electronic transfer accounts. I'm going
3 to address Treasury's specific questions in our
4 written comments, but I just want to touch on what we
5 believe are the minimum requirements.

6 The account should be affordable, imposing
7 no fees for a reasonable number of transactions, and
8 minimal fees for transactions thereafter. As Senator
9 Leichter pointed out, we're lucky in New York State to
10 have a basic banking law that mandates that banks
11 provide low cost checking services, but the law is
12 very slackly enforced, and most banks don't publicize
13 the basic banking services that they offer.

14 We encourage Treasury to take the lead on
15 the federal level in the regulations by mandating that
16 banks offer and market such accounts so that they'll
17 be available to low income people across the country
18 in other states that don't have basic banking laws as
19 well.

20 As the federal government will clearly be
21 realizing a tremendous cost savings through EFT, these
22 savings must be passed along to low income recipients

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1 in the form of low or no cost accounts.

2 Recipients must be able to use the
3 accounts for transactions beyond electronic receipt of
4 their federal benefits, such as writing checks, making
5 other deposits, and making electronic utility bill
6 payments. If the intention of EFT 99 is to bring
7 recipients into the mainstream banking economy, it
8 makes no sense to provide them with an account that
9 only receives electronic deposits. Recipients would
10 then be worse off than they are now because they'd
11 have to go to a bank to receive their benefits from
12 their ETAs, and they'd still have to go to a bank or
13 a check casher to buy money orders and pay bills.
14 These features should be available at no additional
15 cost to recipients.

16 The accounts must be accessible to
17 residents of red-lined communities without banking
18 services. Recipients must have the opportunity to
19 obtain their benefits through a federally regulated
20 financial institution rather than a check cashing
21 outlet or other fringe banker.

22 In New York, again, we're lucky because

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1 check cashers are regulated by the state. So they are
2 unable to charge exorbitant fees or offer tremendously
3 expensive services, like payday loans. In other
4 states, however, recipients who are forced to obtain
5 their benefits in check cashing outlets could be
6 subject to tremendous fees, and will be left
7 vulnerable to the abusive practices of fringe bankers.

8 If Treasury allows banks to link with the
9 check cashing industry to provide TAs, it will once
10 again fail to bring low income recipients into the
11 mainstream banking economy. Furthermore, it will
12 allow banks to realize a substantial profit or
13 windfall, as many commenters have termed it, by
14 receiving and transferring funds belonging to low
15 income people without having to provide services in
16 their low income neighborhoods.

17 Finally, the accounts must be available to
18 all recipients of federal benefit payments, not only
19 those without bank accounts as provided in the
20 proposed regulations. If ETAs are properly designed,
21 recipients, particularly those who live in states
22 without basic banking laws, may be better off using

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1 ETAs than opening a voluntary account, and recipients
2 should be able to make an informed choice.

3 We're pleased to see that the preamble to
4 the proposed regulations, and as you've stated today,
5 Treasury will invite public comment on its proposed
6 design for ETAs. We encourage Treasury to put this
7 proposal into regulation form so that all elements of
8 the account design are federally regulated.

9 We're also concerned about the procurement
10 process for entities who wish to provide ETAs.
11 Institutions wishing to take on the essential task of
12 providing banking services to the unbanked should
13 demonstrate their commitment to low income recipients
14 and their underserved neighborhoods, and we believe
15 that there should be public comment and hearings on
16 the procurement process, as well.

17 ETAs represent a potential windfall for
18 banks which should be required to provide a sufficient
19 range of services to recipients in return, and we hope
20 that Treasury will maintain its record so far, its
21 impressive record, of receptivity to public comment
22 throughout the ETA design and procurement process.

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1 And finally, finally, as with our comments
2 on EFT waivers, we think that outreach and education
3 on ETAs will be absolutely critical. Recipients must
4 be able to make an informed decision about whether to
5 choose a voluntary account or an ETA. Treasury must
6 establish partnerships with community based groups
7 that serve recipients with federal benefits in order
8 to conduct an effective outreach and education
9 campaign.

10 Furthermore, Treasury shouldn't start
11 initiating its education campaign around EFT until it
12 has determined the characteristics of ETAs, as this
13 information will be the most essential thing for
14 recipients to get.

15 Thank you for the opportunity to present
16 these comments.

17 MR. HAMMOND: Thank you very much, Ms.
18 Botein.

19 Our next panelist this afternoon will be
20 Katharine Roberts, who I believe is a consumer
21 advocate.

22 Excuse me, if you could.

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1 MS. ROBERTS: Yeah, sorry. Actually I'm
2 one of those people that seldom needs one, but I'll
3 use it.

4 My name is Katharine Roberts. I'm 71
5 years of age, and I am advocate for seniors, and as a
6 recovering mental patient, especially for those people
7 with mental illness.

8 I haven't yet thanked you for the
9 opportunity to testify because it isn't your fault
10 that I'm here. It's only because I happened to see
11 Shirley Genn at a Health Committee meeting the other
12 night that I knew this hearing existed.

13 I do thank you, however, for letting me
14 speak.

15 I have changed my testimony quite a bit,
16 and so you'll bear with me as I pop around reading my
17 very poor handwriting.

18 As I'm an advocate who participates in as
19 many as five meetings a day and have in the last few
20 days, including Saturday and Sunday, I haven't written
21 a very sophisticated report, and perhaps that's just
22 as well because other people have said perhaps much

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1 more eloquently some of the things I would have said
2 today. However, I do want to read some of my
3 testimony to you.

4 As I said, I first heard about this
5 meeting Wednesday evening. I spent a large portion of
6 Thursday phoning various senior groups and was
7 astonished to find that few, if any, of them knew that
8 there was such a hearing. How, if at all, was the
9 hearing publicized? I don't know about the legality
10 of holding a hearing that has not been publicized well
11 in advance, but I certainly question the ethics.

12 I was very angry to find that to testify
13 it was necessary to make a call to Washington. Like
14 many seniors, my income is very limited, and I don't
15 normally make toll calls even to my family, who live
16 all over the United States and Canada, even including
17 Alaska, I might say.

18 Why would a government agency hold a
19 meeting in a site that is non-wheelchair accessible
20 and where there are no hand holds at the seats when
21 you have to walk down stairs in the auditorium? I
22 don't think this matches the ADA very well.

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1 Had I received the materials prior to the
2 hearing, I would have changed my testimony even more
3 and left out some, but I am going to continue.

4 If Social Security checks are discontinued
5 and all recipients are required to have a bank account
6 for electronic transfer of their payments, this will
7 work a hardship in many ways. In New York City, there
8 are very few banks which offer no minimum or special
9 accounts for seniors. In spite of the fact that we do
10 have the basic banking law, my bank, Citibank, does
11 not have it and doesn't pretend to even know what I'm
12 talking about when I ask about it, which is why my
13 funds are now going to Fourth Federal.

14 There are many seniors who have never had
15 a bank account, some of whom will not be capable of
16 handling an account, especially those mentally ill who
17 are decompensating or have always been in crisis.

18 To impose fees for the transfer of Social
19 Security payments would be unconscionable. Even the
20 smallest fee could deprive a recipient of bread or
21 milk.

22 Banks make their money from use of

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1 deposits, and EFTs are cheaper for them than
2 processing checks. Therefore, the imposition of fees
3 is simply outrageous.

4 Thank you for letting me testify.

5 MR. HAMMOND: Once again, thank you, Ms.
6 Roberts. We appreciate your time and your careful
7 preparation for this afternoon.

8 Our next panelist will be Melvin Faulkner.

9 MR. FAULKNER: My name is Melvin Faulkner.
10 I am the Chairperson for the Brownsville Ocean
11 Interagency Council on the Aging, as well as Community
12 Alliance for Youth Action, which is a senior
13 transportation program.

14 I am grateful to the committee for
15 allowing us to come today to testify of things that we
16 are aware of and maybe certain instances that the
17 committee may not be aware of.

18 We've been dealing with the banking issue
19 in the Brownsville community for eight years already.
20 Long before there was a basic banking regulation,
21 there was a gentleman named Ed Prince that was
22 instrumental in putting this and pestering our

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1 legislative elected officials into forcing some of
2 them to look at it in a hard manner.

3 Banks in our community have been really
4 extenuating to the extent that they have caused us
5 undue pressures to our senior population in the
6 following manner. Already, not tomorrow, today, for
7 an automatic transfer of funds from one to another
8 it's more exorbitant than is check cashing. The bank
9 charges, \$4 right now, today, for a money order. We
10 can get it as low as 85 cents at the post office. The
11 bank charges \$15 and \$20 for a certified check, when
12 that isn't even worth a dollar.

13 These are the fees that we're talking
14 about. In addition to those fees, we're talking to
15 put money into our existing banks in our community.
16 It costs money when we deposit. It costs money when
17 we withdraw. There is an enormous fee for a monthly
18 charge.

19 These things are undue pressure on our
20 senior population already, and we haven't talked in
21 terms of fairness in the electronic transfer
22 situations. This is existing today. So where do we

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1 go when we're talking in terms of electronic transfer
2 of monies?

3 We've had meetings on this. We meet once
4 a month. The people and the pressures coming out are
5 what happens when the system breaks down. I go to the
6 bank and say the system is down, electronically. What
7 confidence does that give the senior who's bordering
8 on the limits or the edges on how they feel about
9 coming into a new system?

10 Our seniors, at least 20 to 25 percent of
11 them, still prefer not. I remember the old days.
12 There was such a thing as a depression. I remember
13 the saving and loads folding, and the government had
14 to bail out our banks, and they're saying, "Hey, I
15 don't want to jump into anything unless I know it to
16 be real."

17 This is happening today, and then again we
18 have the less fortunate, the one who is not educated
19 to the extent to say, for instance, "I can trust. I
20 can see the vision." We have to deal with them as
21 well, and they're saying to us on a daily basis, "How
22 could we trust what we only hear to be failures? And

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1 we need a proven track record because the banks come
2 into our community and they red-line the seniors as
3 well as the other population.

4 Since I am in a black and Hispanic
5 predominantly community, this is not made up. This is
6 factual.

7 Now we're going to come back to some of
8 the things that they have to feel comfortable with,
9 and they feel more comfortable in the shoe box in the
10 closet, in the mattress, below the bed, and at home.
11 They want to be able to touch their money. They want
12 to be able to have the mind that you can't take it
13 from me. I've worked for it. I've put it there, and
14 it's mine to make the final decision.

15 Now, some people have said, "Wait a
16 minute, Mel. Don't give such testimony," but I have
17 to give you what the people are talking to me about
18 when we have our monthly meetings. They don't feel
19 comfortable.

20 And I say to you now we've already seen
21 what the banks are doing before the electronic. Can
22 you imagine what they're going to expect from us and

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1 you in handling the money and the volume? They're not
2 only going to come back and say the federal government
3 owes us this. They're not going to say to the senior
4 population and all those others that can least afford
5 it, "This is going to force you as well."

6 Now, where do we come? Because I'm saying
7 my community as a whole, and I speak on behalf of at
8 least Brownsville, if not East New York as well
9 because I've seen their testimony, similar to ours;
10 we're saying why are the banks deserting our
11 community. All I have is ATMs left in my community,
12 and I'm saying what type of confidence, what kind of
13 a prelude to things coming for tomorrow are we looking
14 at today?

15 And, no, this is not from the paper that
16 I have in front of me. This is from meetings, what we
17 have discussed between seniors and the advocacy
18 programs that are in the community.

19 And this arguing is effective, and in
20 order for us to go back and maybe sooth and console
21 them that this will be a successful program, we need
22 some assurance that the banks that are not here today

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1 will cooperate and make sure that they're not going to
2 gouge the seniors the way they're doing currently.

3 I'm unhappy with where our banks are
4 taking us so far today, and as Treasury, I'm saying to
5 you it may be a savings to the government, but look at
6 who's feeding the government. Is it not our seniors
7 of yesteryear? Is it not them that made the prelude
8 that led us to where we are today?

9 We owe them too much to do a double-cross,
10 if you will, or to allow the banks to shift them any
11 further. They need their livelihood. They need the
12 right to make decisions on their own. They've earned
13 that right. Everybody that has a Social Security
14 check coming through the system has the right to say,
15 "I can manage myself," and to the less educated, the
16 ones that can't, remember there are families that have
17 to step in to do the bank reconciliation statement on
18 their behalf. We're saying suppose that second step
19 is not in place. Who's going to do it?

20 And many of our seniors, and I have to
21 acknowledge, may not be able to read and write and do
22 a bank reconciliation statement. Who's going to look

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1 after their things?

2 And we need to make sure that the
3 protection is set in place for them as well.

4 I thank you.

5 (Applause.)

6 MR. HAMMOND: Thank you very much, Mr.
7 Faulkner.

8 Our next panelist is Cliff Rosenthal, the
9 President of --

10 MR. ROSENTHAL: Executive Director.

11 MR. HAMMOND: Executive Director.

12 MR. ROSENTHAL: I'm Cliff Rosenthal. I'm
13 the Executive Director of the National Federation of
14 Community Development Credit Unions, and I'd like to
15 thank you for the opportunity to speak on this
16 initiative.

17 Our organization was found in 1974, and
18 our mission is to revitalize neighborhoods and promote
19 self-sufficiency among low income people through
20 community development credit unions, or CDCUs, and our
21 job specifically is to strengthen the management and
22 financial base of these low income cooperatives.

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1 Put simply, we exist because there are
2 holes in the banking system. There always have been
3 holes in the banking system, and as I think you hear
4 today, there continue to be holes which may, in fact,
5 expand in the banking system.

6 We specialize in bringing low income
7 people into the financial mainstream by providing a
8 safe, affordable place to save their money.
9 Particularly for a low income person with no prior
10 relationship to a banking institution, and there are
11 many millions, as you know, the advantages to joining
12 a credit union are significant, and CDCUs, in
13 specific, provide financial education and counseling.
14 They provide the ability to accumulate savings and
15 earn interest on those dividends or dividends on those
16 savings. They provide the opportunity to access
17 credit and to develop credit histories, and I might
18 add in view of what you've heard, they provide the
19 opportunity to get service from a real live person,
20 not simply an automatic teller machine, as important
21 as they are to financial delivery.

22 We have a membership of more than 150

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1 community development credit unions across the United
2 States in 36 states, and the membership of these
3 credit unions, at a rate as high as 50 or 60 percent,
4 receive public benefits either in the form of Social
5 Security or SSI or public assistance.

6 So the impact of EFT 99 is a very
7 significant one for our member credit unions, which
8 are located both in urban areas and rural areas. It's
9 both an opportunity and a challenge for community
10 development credit unions.

11 The move toward electronic transfer
12 benefits may assist low income credit unions in
13 expanding their membership and increasing their
14 services to members in low income communities. It may
15 enhance their economic impact on those low income
16 communities.

17 For some people, obtaining federal
18 benefits through direct deposits will translate into
19 greater convenience and more likelihood to build
20 savings for these credit union members.

21 In cases where members already receive
22 payments through direct deposits, the benefit of a

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1 safer, easier system have been considerable.

2 On the other hand, the law presents
3 tremendous challenges to all of us. The mandate of
4 January 2nd, 1999, is an ambitious one at this point
5 and gives us a little over a year to reach out to as
6 many households as possible, assisting people who may
7 never have had the relationship with a financial
8 institution and, quite frankly, express very
9 frequently the feeling that they aren't welcome in
10 those banking institutions. This is a major
11 transition we're talking about.

12 The emphasis on electronic delivery of
13 financial services clearly is very, very important,
14 but let us not lose the fact that this is also an
15 historic opportunity to change behavior in the
16 financial system; that if we do this right, we may be
17 able to increase the numbers of low income people who
18 are not simply transactors, but also savers in
19 financial institutions, and that is incredibly
20 important, particularly at a time when we're
21 undergoing huge transitions in public assistance
22 delivery in the United States.

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1 It's not going to be an easy task
2 considering the fact that we've seen a net decline in
3 banking services, particularly in low income areas
4 over all these years, and a disproportionately large
5 segment of the unbanked population reside in the low
6 income urban and rural communities that our member
7 CDCUs serve.

8 So the need for outreach and education, as
9 you've been hearing from other speakers, is going to
10 be positively enormous over the next years.
11 Households that currently don't have access to
12 conventional financial institutions must be educated
13 about the availability of alternative financial
14 institutions, such as community development credit
15 unions.

16 Electronic transfer accounts allowing ATM
17 and point of sale access to benefits should be
18 considered a short-term solution, not a permanent one,
19 to the financial problems faced by low income
20 communities. ETA accounts on their own will not
21 provide the education and opportunity that a
22 relationship with a credit union does, a relationship

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1 that gives access to the ability to save and the
2 ability in case of need to borrow.

3 Concerted efforts must be made to help
4 unbanked households to open accounts, begin savings,
5 and take advantage of the full range of services. To
6 date we find that the education and outreach at the
7 community level, the financial institution level, and
8 the household level have fallen short. The initial
9 feedback from our member credit unions, which again
10 are all located in low income communities, indicate to
11 us that the preliminary EFT 99 materials focus more on
12 banks than on credit unions, and we want to strongly
13 urge the Treasury Department to step up their
14 educational efforts in the coming year through
15 increased and consistent communication with
16 institutions like our credit unions. Financial
17 institution is not synonymous with "bank" in the
18 United States.

19 Multi-lingual materials must be prepared
20 and must be made available to more accurately reflect
21 the many cultures in communities that we serve.
22 Announcements sent to households receiving benefit

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1 checks should include locations of financial
2 institutions, including credit unions, that are in
3 their area, and they should include contact
4 information, as well.

5 Finally, we, like other speakers, urge the
6 Treasury Department to involve community leaders,
7 churches and religious organizations, schools, senior
8 centers, as well as financial institutions in this
9 important outreach and educational campaign.

10 Thank you.

11 MR. HAMMOND: Thank you very much, Mr.
12 Rosenthal.

13 Now, we'll move to our final panelist of
14 the day, Ruby Sills and Glen Miller.

15 MS. SILLS MILLER: I'm here to represent
16 many organizations in New York State, not just in this
17 area, because it's a group of many thousand members.

18 PARTICIPANTS: We can't hear you.

19 MR. HAMMOND: Can you speak closer --

20 MS. SILLS MILLER: Oh, that's right. I'm
21 sorry. I forgot this.

22 Many thousand members throughout the

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1 state, but also avid organizations in the state, and
2 we have real concerns about this, and I will be glad
3 to talk about it after my husband has read the
4 testimony.

5 I'm asking him to read the testimony
6 because I have aphasia and at times I don't do that
7 very well in reading, and so I'm asking him to read
8 it, and I'll be glad to answer any questions
9 afterwards.

10 MR. MILLER: I'd add just my personal
11 comment to what Ruby said.

12 In 24 years ago, Ruby had her stroke. She
13 developed aphasia. She lost her mind. She couldn't
14 speak. She was in a coma for a few days. She
15 recovered gradually. She had years of speech therapy
16 and relief therapy. Now she's almost fully recovered,
17 but she still has a bit of a problem in reading out
18 loud. So I will read her testimony.

19 "I am Ruby Sills Miller, President of New
20 York Statewide Senior Action Council, which is a
21 nonprofit, grassroots advocacy organization of
22 individual older New Yorkers and of 100 organizations

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1 of seniors from all regions of the state.

2 "Founded in 1972, Statewide has worked on
3 issues of income security and health care, with
4 particular concern for low income and vulnerable
5 elderly. We are here today to comment on the
6 Community Reinvestment Act, CRA's, proposed new
7 regulations in relation to banking practices that
8 affect low income elderly and disabled in our state.

9 "The CRA role in changing the services of
10 financial institutions in poor communities is
11 especially important for those elderly and disabled
12 who do not now have bank accounts that would be forced
13 to do so with the implementation of the Electronic
14 Funds Transfer 99 law, affecting all payment, all
15 federal payment recipients.

16 "We must remember that in spite of the
17 known success of the Social Security programs to
18 reduce poverty among the elderly, the problem has by
19 no means been fully solved. In fact, more than three
20 million New Yorkers over the age of 60, according to
21 the State Office for the Aging, almost 350,000, about
22 11 percent, are living below the poverty level. The

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1 median income for older women was only \$8,241 and
2 \$17,862 for men. Of women, 90 percent had annual
3 incomes under \$25,000, and 73 percent below \$15,000.
4 Men fared a little better, but still 66 percent had
5 incomes below \$25,000, and 24 percent below \$15,000.

6 "For over 550,000 elderly with identified
7 impairments, median incomes were \$7,474. Of those, 91
8 percent had incomes below \$25,000, and 80 percent
9 below \$15,000.

10 "There are still today many seniors
11 without bank accounts. Some are driven away by
12 changes in the banking industry designed to get rid of
13 small depositors. The disappearance of neighborhood
14 banks in low income and rural communities and the
15 personal services available there have not been
16 replaced by ATMs. Traveling to even the nearest
17 federally insured financial institution can create new
18 dangers or certainly entail more cost, most especially
19 for the very fail.

20 "Many advantages of new technologies are
21 inaccessible for this population because they require
22 costly touch tone phones or other special equipment,

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1 or actually present greater difficulties for those
2 with hearing impairments or the problems manipulating
3 the equipment.

4 "While the New York basic banking law goes
5 a long way to deal with high minimum deposits and fees
6 for small depositors, its implementation is still
7 inadequate, and it does not address the concerns about
8 the fees anticipated with the new mandatory electronic
9 funds transfer law. This will be a serious problem
10 for those whose monthly checks are already stretched
11 too thinly over more expenses than can be adequately
12 managed each month.

13 "We are, therefore, strongly urging the
14 government not to require these low income elderly and
15 disabled to pay fees simply to add insults to their
16 basic income.

17 "We also strongly urge that the regulation
18 providing the CRA credits require the financial
19 institutions to address the needs of this special
20 population of low income elderly and disabled.

21 "We endorse the recommendations for
22 improved banking services put forward by the Brooklyn-

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1 wide Interagency Council of the Aging concerning fee
2 policies, security and consumer protections, outreach,
3 and public education.

4 "Statewide supports the goals of the CRA
5 to expand community development opportunities and to
6 remedy banking practices that have discriminated
7 against poor and minority communities. We join with
8 those who call for keeping the CRA credits
9 concentrated on serving the poorest individuals of the
10 communities still in greatest need rather than
11 expanding to middle income levels.

12 "The banks should not be permitted to move
13 away from credits based on serving the poorest. If
14 the banking industry needs incentives also to meet
15 middle income lending needs, that problem should be
16 addressed separately. The government should not
17 dilute enforcement measurements related to the core of
18 CRA programs.

19 "In closing, it is clear that the banking
20 industry will profit from the mandatory expansion of
21 the electronic transfer of federal payment to the
22 elderly and disabled. At the very least, we of

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1 Statewide expect our government to protect the most
2 vulnerable among us, to make sure that these corporate
3 institutions also meet their personal
4 responsibilities.

5 "We thank you for the opportunity to
6 comment on this very important feature."

7 MR. HAMMOND: Thank you very much, Ruby
8 Sills and Glen Miller.

9 And once again, I'd like to thank all
10 members of the panel for your very thoughtful and
11 thought provoking testimony this afternoon.

12 I think I'd like to start the post-
13 testimony phase with just a brief question for Mr.
14 Faulkner. I think, you know, in your testimony in
15 particular there was a series of personal insights as
16 to the comfort level and the banking practices of a
17 large segment of certainly the community that you
18 represent.

19 And one of the questions I'd have for you
20 is you had mentioned the need to establish confidence
21 in the banking system in order to change the habit of
22 maintaining cash in a shoe box or under a bed, and I

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1 was going to ask you to elaborate a little bit on how
2 you think that confidence could be best obtained.

3 MR. FAULKNER: When you invite banks to
4 come to seminars, to give seminars, educational forums
5 for the seniors in your community and one out of eight
6 banks show up, that doesn't instill confidence in the
7 banking institutions, and when we contacted the banks
8 on why, they came in with excuses.

9 Now, every year we take anywhere from 300
10 to 400 seniors on a retreat sponsored by one of our
11 council persons in the community, and always we invite
12 the banks to join such so that people could feel
13 comfortable with issues concerning banking regulation.

14 Two years in a row they haven't even
15 showed up. Now, this does not give us that confidence
16 that we're looking for. These are some of the things,
17 and you can't hide this because, in other words, at
18 all our monthly meetings, in other words, there are
19 issues pertaining to Social Security. We invite
20 Social Security. If they apply to Human Resource
21 Administration type questions, we invite them. the
22 police or whatever it is, they always show up.

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1 Banks, when we do have them, they come in
2 with a tailored made program of what they're issuing,
3 and when you have to look through an agenda of the 18
4 different types of things that they're going to offer,
5 that's a problem, and that does not instill the
6 confidence that we're looking for.

7 MR. HAMMOND: Thank you very much.

8 MR. SULLIVAN: I'd like to address this to
9 Ms. Botein.

10 You mentioned in your testimony about the
11 three tiered system on waivers, and let me start out
12 by saying what we found as a program department as far
13 as the EFT program.

14 VA issues benefit checks out to -- we make
15 about 3.1 million payments a month through Treasury to
16 our veterans. What we found is that on the EFT
17 program -- and I will say that we had about 50
18 percent. We were languishing around there for a long
19 period of time, and then we started inserts and
20 started advertising EFT, and we jumped up to 65
21 percent, and what's interesting about that is that we
22 had very little problems in terms of veterans coming

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1 back to us on the EFT program. They didn't have any
2 problems with the banks or anything like that, but the
3 minor problems mainly were when you first put your
4 account in and we may have been given a wrong number
5 or something like that, and that was a start-up
6 problem.

7 What's interesting about that is it look
8 around a day to fix that for the veteran. When
9 there's a lost or stolen check, it takes up to two
10 weeks to do that.

11 So there's big benefits to EFT for those
12 that have bank accounts, and I'd just like you to
13 expand on what you meant by the problems with the
14 three tiered program because we feel it's very
15 important that we do make a distinction between those
16 who have banked and unbanked.

17 MS. BOTEIN: Well, I don't know. There
18 may be big benefit, and in fact, then I think there's
19 people who wouldn't opt to waive out of EFT. It seems
20 to me like it probably would be easier for Treasury,
21 too, not to have a bunch of different categories, just
22 to make the process available to everyone, and then

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1 those who want it can waive in.

2 I think you're probably right. I think
3 that probably the majority of people with bank
4 accounts will opt to use EFT, but I can certainly
5 imagine that someone might set up a bank account, for
6 example, if their children are giving them money and
7 they want to keep the money in that bank account
8 separate, but they have an entirely different process
9 for getting their check which they use to live on
10 every month, and they go to the local grocery store
11 and cash it, and that's the way they want to keep on
12 doing it.

13 That person, if the person has any of the
14 hardships that you're going to set forth as the
15 waiver, should be able to waive out of it. It may end
16 up being a tiny minority of people, but I don't see
17 what the harm is in making it available to the people
18 who are banked.

19 MR. SULLIVAN: Thank you.

20 MR. HAMMOND: I think that concludes our
21 hearing today, and once again I'd like to thank
22 everyone for their participation in the beginning of

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1 the process as we go forward to implement this
2 statutory mandate.

3 I would like to remind everyone that the
4 hearings today were transcribed or will be
5 transcribed, and that the transcript will be
6 available. For those who would like to be mailed a
7 copy of the transcript, please leave your name and
8 address at the desk where you registered on the way in
9 this morning, and we'll make sure that we mail a
10 transcript out to you.

11 MS. ROBERTS: Could I make one comment?
12 I do hope that the next comment period will be much,
13 much better publicized.

14 MR. HAMMOND: Thank you for your comments.
15 We appreciate that.

16 (Whereupon, the public hearing was
17 concluded.)
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